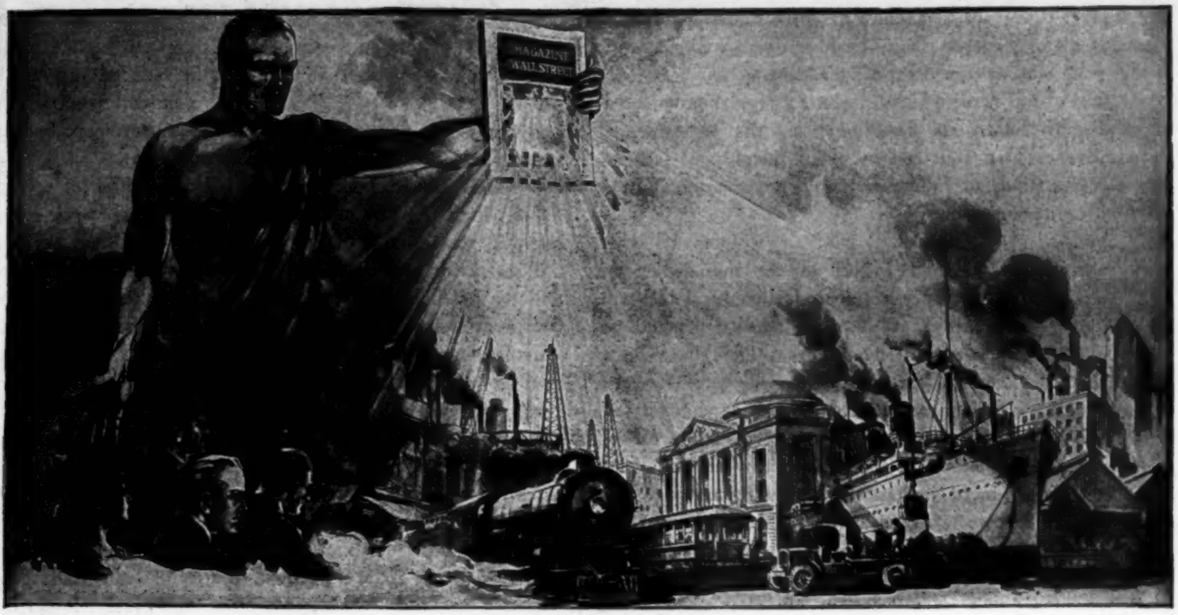

THE OUTLOOK

Prices, Wages and Cost of Living—Is There a "Latent Demand"?—Money Dangers Now Past —When Will Business Revive?—The Market Prospect

HAVING reached the point where investment buying, plus the demand from a very large short interest, overbalanced the liquidation of hard-pressed business men and discouraged holders, the market has righted itself and has shown considerable ability to rally.

Liberty bonds have shown a longer continuance of weakness than most other securities, although their actual decline has not been heavy. There is a dribble of liquidation in these Government issues, whcih is a natural result of their wide distribution. High grade corporation bonds have stood up firmly against liquidation in other sections of the market. Speculative or semi-speculative bonds have suffered in sympathy with stocks, but have shown a similar ability to rally after the decline.

* * *

COMMODITIES STILL WEAK

ATTENTION is still centered on the fall of commodity prices. The general drift continues downward, but at a noticeably slower rate. A number of commodities, such as copper, rubber, coffee, sugar, some grades of wool, are practically back to the pre-war level. On the other hand, there are some in which the decline has been relatively small. The result is a highly irregular trade situation, with buyers holding off waiting for a "return to normal."

There is, of course, no such thing as a "normal" plane of general prices, so it is quite useless to wait for that; but there is a normal relationship among prices of different commodities, materials and finished products, which must and will be gradually restored. At present, prices are in unbalanced relations with each other. For example, farm products have fallen so sharply that at their recent low levels they were about 15% below the relative average for all commodities, and metals and metal products are nearly 25% below the general level.

The necessary effect of the low prices for farm products is to check farmers' buying, a very important element in the industrial situation. This is not only because of the smaller actual returns to farmers, but also because farmers, perceiving that the prices they are getting are too low compared with other things, naturally make every effort to hold their crops in the hope of a readjustment. And within the last week wheat and cotton have, in fact, recovered sharply.

* * *

COST OF LIVING LAGS

WHILE the cost of living has fallen somewhat, it lags behind the drop in wholesale prices. Retailers have a very natural desire to work off their goods at as near cost to them as possible, while it is equally natural for wholesalers and manufacturers to urge the retailers to take their losses manfully and mark down prices to stimulate the movement of goods. It is a good deal easier to advise the other fellow to take a loss manfully than it is to take it yourself. Human nature is much the same whether contemplated individually or in the mass.

Wages, if measured in dollars per day, lag still more than the cost of living. But if measured in the total receipts of wage-earners, they have dropped sharply. It is estimated, for instance, that 2,000,000 employees are out of work in the automobile industry. Of course this figure is a rough guess, but of the four companies which are the largest producers, three are closed down entirely, having accumulated cars enough in advance to supply dealers until spring, in all probability; and the fourth is operating only five days a week and will shut down Dec. 20 for several weeks. Only one company, and that not among the biggest producers, is still running full blast.

Under such conditions it is evident that wages per day are no measure of workmen's income, and it is to a less extent

true that they are not a measure of cost of production, for efficiency in all trades is showing a gratifying improvement, so that more work is turned out for the same money.

As most of our readers know, there is a regular progression in price movements. In times of rising prices, wholesale prices advance first, followed by retail prices, and last by wages. In periods of falling prices the same order of progression is maintained.

* * *

EXTENT OF LATENT DEMAND

REVERTING to the automobile industry, total production for 1920 will not be in excess of the renewal demand, so dealers are figuring that there must be a hidden or latent demand for cars which will come forward when prospective buyers are satisfied that prices will not fall further; for it is not believed that the growth in the use of passenger cars has been more than temporarily checked, and this should be still more emphatically true of trucks.

Undoubtedly there is a considerable latent demand of a similar sort for varied classes of goods. It certainly must be true of clothing and textiles. The public was slow in getting started on the policy of wearing its old clothes, but once started, and seeing results in falling prices, it has become really enthusiastic in its efforts to punish the profiteers. In view of this condition, textile men are venturing the opinion that there is a "short interest" in the industry, because retailers and jobbers are delaying their purchases so long that when the demand does revive an actual shortage may develop.

* * *

WHEN RECOVERY MAY BE EXPECTED

WE continue of the opinion that the present depression will not be unduly prolonged. A condition of general inflation has been successfully eliminated without any financial collapse and without any large number of important commercial failures. This is an epoch-making achievement and we believe it will mean that we shall not have to wait to clear up a lot of ruins before rebuilding.

Prices, now very irregular, will have to be adjusted to each other, and costs will have to be adjusted to selling prices. This will take time, but not as long a time as would have been necessary if we had been compelled to pass through an old-fashioned financial and business panic.

A great deal has been said and written about the "cancellation evil." It has been far more widespread than ever before and has resulted in heavy losses to jobbers, wholesalers and manufacturers. In some instances a low standard of business honor has been revealed. But there is this to be said, that the numerous cancellations of orders have cleared the atmosphere more rapidly than it could have been cleared if all orders had been filled at the high prices and dealers' shelves thus overstocked with goods for which no immediate demand was in sight.

Retailers' stocks of goods are now lower than at any previous time in 1920, and this is a most encouraging feature of the situation. When the public becomes convinced that prices have stopped falling, the renewed demand which will follow will find only moderate stocks of goods on hand.

We expect a decidedly better feeling by Spring. It may come as early as March, and should not be later than June. We cannot leap at once into full prosperity, but the latter half of 1921 should be marked by healthy and improving business conditions.

MONEY DANGERS PAST

THE worst is undoubtedly past in the money market, although it is not probable that loans can be reduced very much during December. Year-end requirements are operating to prevent any quick fall in money rates, but the broad tendency towards easier rates is now clear.

Failures around January 1 will be larger than for several years past, but will not be excessive as compared with many pre-war years. It is, in fact, surprising that such a sharp fall in prices has been accompanied by so few important failures. This is partly due to the fact that several years of prosperity have enabled the average business man to accumulate some surplus to fall back upon, and partly to the fact that the banks, bulwarked by the Federal Reserve system, have been in better shape to extend aid where aid was warranted.

Nevertheless, the year-end clean-up will probably have the effect of keeping money rates fairly high throughout December. Rates next year will depend largely upon the policy of the Federal Board. It can be taken for granted that the Board will not reduce discount rates until loans and rediscounts have fallen considerably from their present level; but just what level will be satisfactory to the Board cannot be predicted. In fact, it is highly probable that the Board itself has not yet decided that point, preferring to act upon the basis of current events as they develop.

It is probable that a persistent rate of 8% for prime commercial paper will not be seen again for many years. Such a rate is almost prohibitive, and has been the result of war and post-war conditions which are not likely to be repeated. The tendency toward a fall in this rate is highly encouraging.

* * *

THE MARKET PROSPECT

A SPECIAL article in this issue reviews October railway earnings. Further reports in the last few days show only a slight improvement over the figures there discussed. In November there was a fall in gross earnings for most roads, and it is hardly possible that expenses were cut enough to prevent a decrease in net also, although actual figures for net are not yet available.

The stock market anticipates business improvement some time in advance, and most groups of stocks now show an upward trend, but a further period of dullness and slow accumulation would naturally be expected before the development of any broad upward swing.

The rails, considered as a group, show good support on reactions. Undoubtedly there are various weak points still to be uncovered among both rails and industrials, but average prices should work gradually upward. The coppers and motor stocks show little enthusiasm and apparently are not yet ready to advance materially. In general, the foundation is being laid for a better market.

While some bonds have advanced enough so that yields are less attractive than they were a few months ago, there are still many bargains available, and the investor should take advantage of them promptly. There are special opportunities in good preferred stocks, which in some cases have suffered unduly in sympathy with common stocks of the same companies. Those who desire to add to their holdings of Liberty Bonds should seize the opportunity while it is here.

Tuesday, Dec. 7, 1920.

Joseph F. Guffey Discusses South America's Oil Supply

Head of Atlantic Gulf Oil Corporation Believes Greatest Deposits in the World Will Be Found in Colombia

Interviewed by WILLIAM McMAHON

OIL men either know, or know of, Joseph F. Guffey. Mr. Guffey is president of the Guffey-Gillespie Oil Co., president of the Atlantic Gulf Oil Corporation, and president of the Colombia Syndicate. He is one of those who hold that successful oil production is not a matter of luck but a matter of business, based on thorough study and the facts of science.

Lately his eye has been turned towards South America, where he believes the oil possibilities are practically unlimited. Already he has instituted one of the greatest of oil drilling campaigns and development projects in Colombia that the industry has ever witnessed.

Believing that investors in oil would be interested in these new fields, I called on Mr. Guffey at his office, 11 Broadway, and asked for some facts in reference to conditions and prospects.

"To show that my associates and myself have faith in the Colombia territory," said Mr. Guffey, "the Colombia Syndicate has two and a half million dollars in cash with which it intends to develop this property in Colombia. The Syndicate will be managed practically by officers of the Guffey-Gillespie Oil Co. Now we have drillers and mechanics with all the necessary equipment and paraphernalia on the ground, with hospitals and physicians in charge. Millions of dollars more will be spent in the next few months in opening up new fields in South America which are now being investigated by geologists, and, according to the reports, are surpassingly rich in mineral oils.

"In addition to the two and a half millions in cash which we are spending in Colombia, millions more will be expended by the Transcontinental Oil Co., the Arkansas Natural Gas Co. and the International Petroleum Co., with which Tropical Oil is affiliated. The field now being developed and drilled is located on the Labrija River, about two hundred and fifty miles from Darranquilla, or a distance of about sixty-five miles from the mouth of the Labrija, which empties into the Magdalena River at Bodega Central.

"It is within twelve miles of the producing wells drilled by the Tropical Oil Co. on its immense holdings there. The Colombia Syndicate now owns about one million acres of leases in this section, especially selected over a period of five years by eminent geologists and engineers.

"According to an official announcement the upper sand of this district can be safely estimated to produce four thousand barrels of oil per acre, and the lower sand fully six thousand barrels per acre, a total of ten thousand barrels per acre. This estimate includes only the exposed anticlines."

The Natural Difficulties

It struck me that there were many natural obstacles to be overcome in that country, and I mentioned the matter to Mr. Guffey. He said:

"It rains six months out of the year in this Colombia section—three months in the fall and three in the spring. But in spite of this there is no sickness among the men with the exception of malaria a few months out of the year. The task of sanitation has been a gigantic one, but we have cleaned things up much after the fashion of the preliminary cleaning-up processes inaugurated by the builders of the Panama Canal.

JOSEPH F. GUFFEY

THAT great quantities of oil were to be found in certain sections of South America has been known by oil men for many years. However, only in recent times have practical efforts to bring this oil to market been made. Joseph F. Guffey has been one of the leaders since the pioneering began and his present wide interests entitle him to speak with authority on the subject. Mr. Guffey is president of three large companies now operating in South America and is also associated with other important enterprises.

"The company has had to build roads through the lowland at a great cost and under adverse circumstances—every inch of the road has to be corduroyed. It is interesting to note that the wood used to corduroy the roads is mahogany.

"Our drilling crew of fourteen men started on September 23d from Pittsburgh and docked first at Cartago, Colombia. From there the party traveled up the Magdalena River about a hundred and fifty miles to Bodega Central, where they took a company boat to the receiving camp at Laneros. From there an overland journey of fourteen miles had to be made through a veritable jungle."

AGWI Lines to Supply Tankers

Regarding the shipping facilities available for transporting the oil, Mr. Guffey said:

"One of the largest companies in the shipping business, the Atlantic Gulf & West Indies Steamship Lines, has become associated with us in the development of the Colombia property and have acquired the right to purchase the oil produced at the market price. This contract is particularly valuable to both parties because the Atlantic Gulf & West Indies Steamship Lines have under construction a large fleet of oil-carrying steamers, and, consequently, when the Colombia Syndicate is ready to market this oil, the steamship company will be prepared to transport it without delay, and the steamship company will have an ample supply of high grade oil at its disposal to meet the heavy demand now being made on them.

"The Atlantic Gulf & West Indies Steamship Lines has now an enormous production of oil in Mexico through its subsidiary, the Atlantic Gulf Oil Corporation. The latter company is building large oil refineries which will produce gasoline and high grade oils, and in addition will supply the numerous ships of the steamship company with great quantities of fuel oil."

A Geologist's Report

The geologist of the Syndicate, Mr. W. T. Griswold, was for many years associated with the United States Geological Survey and for part of that time was head of the Oil and Gas Department. Mr. Guffey handed me a report from the geologist and also from the engineer, Mr. H. C. O. Clarke, of California. It might be interesting to quote this report:

"The same conditions that underlie the lands of the Colombia Syndicate underlie those of the Tropical Oil Company, which has drilled three wells, the two outside wells being about one and one-fourth miles apart, close to large seepages. All three wells developed good production, at a depth of 1,200 to 1,400 feet, the oil testing 28 deg. Baume, and No. 1, which was carried below, developed a better production of lighter oil at a depth of 2,160 feet, which tested 36 deg. Baume.

"As a summation of the oil possibilities we have (certain) ridges that seem sure oil reservoirs, that pass through the full holdings of the Colombia Syndicate. These two structural uplifts are each a mile wide and fully fifty miles long. They represent 64,000 acres of land.

"The upper sand can be safely estimated to produce 4,000 barrels to the acre and the lower sand fully 6,000 barrels to the acre, or a total of 10,000 per acre, or 640,000,000 barels of oil.

"This estimate includes only the exposed anticlines; it is probable that structural conditions exist in the twelve miles between these ridges and very possible that oil may be found still further west. If we estimate one-fourth of the land

(Continued on page 209)

What Should Southern Pacific Holders Do?

Privileges Conferred Under Segregation Plan—Valuing the Oil Holdings—The Best Policy for Holders of the Stock and the Convertible 5s

By **RICHARD D. WYCKOFF**

> **THIS article is based on a report made by THE RICHARD D. WYCKOFF ANALYTICAL STAFF to its Associate Members.**
>
> **We feel that, in view of the very large amounts of Southern Pacific securities held by readers of The Magazine of Wall Street, the facts brought out in this report should be reproduced here.**

MANY conflicting opinions are being expressed in connection with Southern Pacific's segregation of its oil properties, but the outstanding facts are that holders of Southern Pacific Company stock and convertible 5% debentures of 1934 are given a valuable privilege.

The fact that they are required to pay $15 per share for the stock of the Pacific Oil Company does not in the least detract from the merits of the proposition. As holders of Southern Pacific, they are paying this $15 into their own companies' treasuries. One-sixth of the total amount —namely, $8,750,000—will be retained by the Pacific Oil Company as working capital, and the balance—$43,750,000—will go into the treasury of the Southern Pacific Company; hence the payment cannot in any way be considered in the light of an assessment. Holders are taking the money out of one pocket and putting it into two of their other pockets, but as all of the pockets belong to them, they are paying everything to themselves.

Stockholders May Suit Convenience

The financing of this $15 per share need not be done by the stockholders unless it is convenient. The holder of 100 shares of Southern Pacific will receive certificates (rights) entitling him to subscribe. He has only to turn these certificates over to his bank or broker with instructions that the $15 payment be made. The bank or broker will thereupon make the payment, and hold as collateral the Pacific Oil Company stock, which, at the present price of $21 for the rights, will have a market value of $36 per share. The owner will recover his $15 per share at any time he chooses to sell this new stock.

It is too early to ascertain with any accuracy the real value of the Pacific Oil Company stock, but we doubt if the property which it will own could be purchased for less than $700,000,000—an amount equal to $200 for each share of Pacific Oil.

The basis for this estimate is found in the Government valuation made in 1917, covering only a part (17%) of the Southern Pacific oil lands, the value of this portion being $439,000,000; the remaining 83% not being estimated as to value. To this should be added the value of these other lands not involved in the suit then under way, but since discontinued by the Government. Allowance must also be made for two other factors affecting the value of these oil properties, viz.: first, the great increase in the market price of petroleum during the past three years, and, second, but more important, the fact that the cracking process recently perfected makes it possible for such high values to be extracted from the crude petroleum that much more money can be derived from refining and marketing the product than is represented by its value as fuel for locomotives.

While Mr. Kruttschnitt, chairman of the executive committee, has officially stated, "the net earnings of the Southern Pacific oil properties for the year 1920, after deduction of all taxes and proper reserve for depreciation, will approximate $12,000,000, the earnings for the year 1921, based upon the present estimate of oil production and prices, should considerably exceed this sum," we must remember that it is only during part of the year 1920 that the title to all of these oil properties has been clear, and that they have shown only the merest fraction of their potential earning power. Mr. Kruttschnitt is known to be very conservative in his estimates. Those who are thoroughly familiar with these properties, however, estimate that earnings within the next year or two should be at least two and a half to three times those of 1920, or from $30,000,000 to $36,000,000—an amount equal to from $8.50 to $10 per share on Pacific Oil Company's stock.

Taking as a basis the 1920 earnings of approximately $12,000,000, and allowing for the increased value of the oil on account of the cracking process previously described, and for the fact that the facilities for drilling and transportation of the product have been anticipated and provided for, it is easy to realize how present earnings can be doubled or trebled.

Meantime, the decline in the price of Southern Pacific stock may have been largely due to operations by those who are desirous of acquiring the rights at attractive prices. The rights (now $21, equal to $36 per share for Pacific Oil stock) appear to combine highly attractive investment and speculative opportunities, representing as they do a medium for acquiring an interest in one of the world's great industries, by means of a company which will own one of the most valuable known parcels of oil lands, backed by sufficient working capital and guided, as the company will undoubtedly be, by the best brains in the oil business.

In 1918, just after we called attention to the position of Southern Pacific and the value of its oil properties, certain leading Standard Oil interests were very heavy buyers of Southern Pacific stock. In fact, we have reason to believe that an amount approximating the holdings then sold by the Pennsylvania Railroad Company—namely, about 380,000 shares—was accumulated by them.

During the past two years, further accumulation of Southern Pacific has taken place on all declines, and as these interests are in close touch with the management of the Southern Pacific Company, one can readily understand how they might have anticipated recent developments. We believe that during the next three months, in which time the stockholders of Southern Pacific are given the right to purchase the new oil stock, a further accumulation will take place in the rights, and that this will be for account of the same interests.

Figuring the rights at $20, plus the payment of $15, the cost of control of Pacific Oil Company would be $61,250,000, and the value of the whole proposed issue of 3,500,000 shares would be $122,500,000.

If our estimate of $700,000,000, representing the value of these properties, be correct, the purchase of control for the above amount would be accomplished at 17½% of the value of the properties.

Control Lies in the Rights

While some of the rights may, during the next three months' accumulation, cost more than 20, it must be remembered that the Southern Pacific stock already bought by these interests at an average of between 90 and par, or, say at 95, may still be retained in the names of representatives of these interests until after January 14, 1921, thus securing to them all the rights which the shares carry. After January 14, Southern Pacific will sell the rights, at a figure variously estimated between 85 and 95. Assuming this figure to be 85, and the average cost of the Southern Pacific accumulated as above described to have been 95, the stock accumulated in order to secure the rights may thereafter be sold, at an average of 85, with the result that the rights derived from such stock will then net these large operators only $10.

Taking this $10 figure as the cost of the cheaper lot of rights, and combining with it the present cost of the rights, say $20, it is quite possible that these interests may be willing to pay up to an average of $30 for the amount of rights necessary to round out their holdings of the proposed Pacific Oil Company.

We feel safe in estimating that these interests, by March 1st, will have acquired more than the majority of the rights and will control, manage and dictate the policy of the Pacific Oil Company.

It will be very much to the advantage of the minority stockholders to have control rest in Standard Oil hands. The

latter are the most successful oil operators in the world. They have been engaged in the business longer, have made untold millions for their shareholders and themselves, and are good people to tie up to. Their opponents may have suffered in the battle for supremacy, but we have never heard of a complaining Standard Oil stockholder.

The important point to be decided by holders of Southern Pacific Company stock is what to do with their shares. The stock of the Southern Pacific Company, when it sells ex-rights, will represent the company's steam railroads, its immense interurban system, its railway line down the west coast of Mexico, its great holdings of Mexican oil lands in the most productive area around Tampico, and numerous other holdings of lands and properties with which equities, as one of the directors once stated, "the Southern Pacific Company is honeycombed."

In estimating the future value of Southern Pacific without its California oil properties, we should hesitate to say that this will then be a 6% stock with no possibilities, for we believe that Southern Pacific stock ex-rights will eventually be worth more than 85 to 95, but we must consider the problem from the standpoint of possible increase in income and enhancement in value of the principal sum which is employed for investment in these securities. That brings us up to these vital questions:

1. Is it best to continue to hold Southern Pacific stock, pay the $15 per share, acquire the Pacific Oil Company stock, and thereafter hold both?

[Note: Holders of Southern Pacific convertible 5% bonds of 1934 must convert these into Southern Pacific stock in order to secure the rights.]

2. Is it better to sell Southern Pacific stock and convertible bonds, employing the funds derived therefrom in the purchase of rights?

In undertaking to decide which is the better course, we must remember that one's capital should be employed in such a way as to derive the greatest amount of benefit within a given time. That being the main purpose, it would appear that the greatest possibilities during the next one, two or three years lie in the Pacific Oil Company, and not in the properties which will be represented by the Southern Pacific Company after March 1, 1921. There may, of course, be further distributions or rights in connection with some of the remaining properties, but these are not likely to follow so closely on the heels of the present operation.

It therefore seems best for the holder of 100 shares of Southern Pacific stock or the holder of $10,000 convertible 5s, each having a present market value of about $10,500 (December 3), to dispose of these shares or bonds and employ the proceeds as follows:

Purchase of 300 rights at about 21..	$6,300
Subscription to 300 Pacific Oil Co. at 15	4,500
Total	$10,800

We recommend the above for the reason that a price of $35 for Pacific Oil stock represents but a small part of its present and future earning power and intrinsic value. We believe that the holder of 300 shares of Pacific Oil Company, at the end of 1921, will possess therein a security which will have a much higher market value than 35, and an earning power very much greater than the indicated earnings of $3.50 per share figured on the basis of 1920 operations, or $3.80 per share, allowing for the dividend paid by Associated Oil.

In our opinion $10,800 employed as recommended will, within a few years, attain a market value of $20,000 to $30,000 ($70 to $100 per share), whereas we do not anticipate any such increase in the value of Southern Pacific when stripped of its California oil properties, the value of which are described as "incalculable."
—vol. 27, p. 18.

Why We Need a Merchant Marine

Basic Changes in Financial and Industrial America — The Foreign Trade Crisis — Lessons of Other Days

By P. H. W. ROSS, President, The National Marine League of the United States of America

NOT more than three or four times in a nation's history do revolutions come that are really epochal.

Political revolutions are noisy and comparatively ephemeral, but an event that entirely changes the long-ordered system of a nation's commerce and finance is a revolution not only of the very first magnitude but of permanent endurance. It does not merely establish a new method, but a new base, upon which a new structure must stand.

In our own history we have but one instance of an organic change comparable with that which now confronts us. In 1865, after a long and bloody Civil War, slavery was abolished and in its place free labor became the foundation upon which our system of commerce and finance was based.

Since then serious changes in method have come to pass, such as the establishment of a policy of protection to American industry and that most righteous act, the establishment of a gold standard, with the subsequent development of the Federal Banking System, but neither of these were revolutions in the even course of our country's development. They were, at most, extremely important modifications, having far-reaching results.

Now, however, after a world war, infinitely more portentous and bloody than our Civil War, the United States is confronted with a basic change epochal in its nature and necessitating an entire readjustment of our commerce, our finance, and particularly our relations with other nations and countries.

In exact proportion to the extent that this change is appreciated by our people will the immediate and future comfort and prosperity of our people depend.

What the Change Is

The change to which I allude is that the United States of America is no longer a *debtor* but a *creditor* nation; in fact the creditor of the world.

So great is this economic revolution that it entails a complete readjustment of the basic precedence of all American industrial and commercial activity.

Heretofore, from the very dawn of American history we have been a nation of producers. Production has had overwhelming precedence over distribution in the range of our business activities. It had to, because we owed the outer world money and were compelled to produce in order to pay our indebtedness. All debtor nations are obliged to give of their products, whereas creditor nations are obliged to receive the products of other nations that owe them money.

Now if we had never developed the art of production to a superlative degree, if we were comparatively bereft of national resources such as fertile lands, coal, copper, oil, cotton and what not, if we were simply a wealthy non-productive nation, the problem would be correspondingly simple. We could import the foodstuffs, cotton textiles and fuel of our debtors and thus balance accounts.

But such is very far indeed from being the case, and if we were to accept unreservedly the offerings of our debtors in payment of what they owe us, we should at once distinguish to that extent the demand for American-made goods of similar nature.

The result of such a blow to American industry would be catastrophic. I know, because I have been in the banking business for 30 years and have gone through the panics of 1893 and 1907 besides a very distressing experience during the Boer War.

I was then on the Pacific Coast. We had to loan on wheat receipts; generally about 60% of market price, which was then about $1.00 a bushel. We had to depend upon British tramp ships to take our wheat from Portland, Oregon, and Puget Sound ports. Suddenly came the Boer War and then at the drop of a hat all British ships were ordered away from Pacific to African waters and the *movement of our debtors' product stopped!* In no time (there being no other market) the price of wheat dropped 25 cents a bushel and then to less than what we had lent on the warehouse receipts and we were stuck. There is no "closing out" of a whole population in (what was then, but not now) a "one-crop country."

This experience not only proves the economic necessity of having oceanic transportation within our own control—in other words an efficient Merchant Marine of our own but also the terrible load all our inland banks will have to carry whose

(*Continued on page* 179)

Foreign Trade and Securities

How Much Is the Mark Worth?

The Perplexing Problem of Foreign Exchange—Ironing Out Some Complications

By VICTOR DE VILLIERS

INTERNATIONAL conditions have changed so radically since the armistice was signed that there can be no very positive or preconceived notions of the true values of foreign securities that should not be re-examined and revised to harmonize with developments. The principal obstacles to Germany's rehabilitation have been the failure of the League of Nations to materialize, the shelving of the Versailles Treaty, the remarkable attitude of the pro- and anti-Wilsonians towards European affairs, and the failure of the Allies to "get together."

It is taking years instead of months to declare peace; Germany knows not how she stands, how much she owes, nor how much she will owe in the future. Big Brother America has disclaimed relationship, and all the little brothers are doing their best to fight it out among themselves. What with new complications in Italy, Russia, Poland, Turkey, Armenia, the Balkans—and, in fact, everywhere—peace seems a long way off; and the business of getting down to brass tacks still more distant.

These new elements, together with a recent careful study of the whole situation, make it imperative to look upon the subject from an entirely new angle. The *pros* and *cons* have been turned over in the writer's mind for many weeks, and still further deliberation only strengthens his appraisement of the mark, as herein stated.

The mark has been declining in easy stages from nearly 24 cents to 5 cents, down to 1 cent, then up to 3 cents. The last few months have witnessed extraordinary fluctuations between 1½ to 2 cents, with a recent sagging tendency again towards the 1-cent level.

Where do we go from here?

Where Germany Stands

What is Germany's position towards all other nations, and what relative value does her currency possess towards that of her neighbors, friends and enemies?

By getting a clear conception of this, shorn of decimals, fractions, "economics" and platitudes, which have their basis in hope or faith rather than in reason, we have a better chance of appraising Germany's present and future economic worth. Each man can then judge for himself whether he is investing, speculating, gambling, or just throwing his money away when he buys foreign currency—particularly German marks.

Strictly speaking, Germany does not stand at all. The old empire is staggering and would have been dead long ago but for the fact of its being propped up by its hopeful creditors—and would-be creditors. By her acceptance of the Versailles Treaty she has become the debtor of the Allied nations to an unlimited extent, although this may be circumscribed by a Reparations Committee—if that committee ever gets together and finds out just what it wants.

Germany is worse than bankrupt, because the bankrupt can estimate his maximum liability. Germany is likely to become the most spectacular debtor in all history, to an extent that the human mind, with its inability to visualize the significance of billions, cannot conceive.

The most hopeful feature of Germany's future, however—in fact, her greatest potential asset—is this very staggering world debt. She has made a "friend" of France, Great Britain, Belgium, and all their friends for the rest of her unnatural life. They are going to nurse Germany to the end of their resources until the last mark is paid. Germany is groaning in her distress, but leaning on the shoulders of a half dozen husky nations, who may be expected to patch up the wreck for the good of all concerned.

When the tailor begged the policeman to shoot the fleeing thief "in the pants," the disciple of Sartor was hoping to save his own coat and vest which the thief had run off with. In the same way, perhaps, the International Traffic Policemen will not shoot above the waist-line, as their interest in the coat, vest, derby and etceteras worn by the great offender will overcome their natural instinct to punish.

This thought is probably back of the minds of the optimists who figure that Germany will "come back." It is not a bad guess, because a thing that can be no worse must surely become better—on general principles.

What Is the "Mark"?

But these theories do not help us in solving the problems, "How much is the mark worth; is it cheap at two cents or one cent; will it recover to five cents, or to par; and when will this happen?"

The first thing to do is to examine the mark, and know its relationship to other coinage, and what is back of it. Such a course is better than buying a ream of notes, currency, or bonds, glancing at its former par value, and then laying back hoping for the best. The thrill of its possible recovery to five or ten times its present value is pleasant, but I am afraid it is very illusive.

What is one "mark"?

The mark was the standard coin of the German Empire, a silver piece roughly the size of our "quarter," the British "shilling," the French "franc," or the Italian "lira." Its value has *nominally* declined from over 23 cents to under 1½ cents. To the layman it looks as if this shiny silver coin can now be bought for less than a couple of American copper cents, and that is probably one of its great attractions. It looks better than easy money; in fact, it sounds like getting something for nearly nothing. But we should all know that it is impossible to get anything for nothing permanently, and we should look for the nigger in the woodpile.

The value of 1½ cents per mark (officially 1.42) is

FOREIGN CURRENCY
Comparative Basis for Calculation

Country	Standard Currency	Par or Pre-War Value in Terms of Cents	Present Value on Recent Quotations Cents
Norway	Kroner	26.8	13.6
Sweden	Kroner	26.8	19.4
Denmark	Kroner	26.8	13.6
Great Britain	*Shillings	*24.3	*17.5
Germany	Marks	23.8	1.4
Finland	Marks	23.8	2.0
France	Francs	19.3	6.0
Belgium	Francs	19.3	6.4
Switzerland	Francs	19.3	15.7
Spain	Pesetas	19.3	18.0
Italy	Lire	19.3	3.7
Greece	Drachma	19.3	9.0
Roumania	Lei	19.3	1.5

*20 shillings = £. Par of £ = $4.86. Sterling quotation $3.50.

THE BIG FOUR
Studies in Depreciation

Country	Standard Currency	Par or Pre-War Value in Terms of Cents	Present Value on Recent Quotations Cents
Germany	Marks	23.8	1.4
Austria	Crowns	20.3	0.32
Hungary	Crowns	20.3	0.22
Russia	Rubles	51.4	0.075

the quotation for paper currency of Germany, and not for metal coin. The old silver mark has disappeared, and if anyone insisted upon buying it, he would probably have to pay the old rate of about one silver "quarter" per silver "mark." The buyer of exchange gets a check or order on a German bank, which he can either deposit to his credit in Germany, or cash in for paper money. Or, he can buy goods in Germany with it, or pay his bills there, or send it to his relatives. He can pay off mortgages (if he is lucky enough to have a substantial mortgage), or pass 'round his own German checks in exchange for German securities, such as stocks, bonds, or mortgages—in fact, he can do anything to advantage except exchange his currency for some real, hard money, made of gold, silver, or even of copper. If he should insist upon real money, he would get German bank notes, and these would be no better than the check he holds—if his check is an order on one of the leading banks like the Deutsche Bank or the Dresdner Bank.

For ordinary purposes of commerce, such as paying bills or purchasing commodities, the American citizen must have recourse to the purchase of German exchange or currency, and he can just as readily send American bills, which would be credited to him at prevailing rates at the time of receipt in Germany. By converting his American money into German exchange in America, he knows the exact rate at the time he parts with his "real money," and any subsequent fluctuations will not affect him, and the transaction is closed so far as he is concerned.

This is the only legitimate use or excuse the writer can see for Americans engaging in exchange transactions in the German "mark." The rest must be speculation and gambling, and cannot in the long run do either of the nations any good.

The table herewith gives the pre-war or "par" value of the mark and other standard coins of various nations which are used as a basis of currency and exchange. The writer has preferred to make use of the British "shilling" as a basis for comparison, because the pound sterling (which consists of twenty shillings) complicates the calculation. As the par value of the pound is $4.8665, and as it is divided into 20 shillings, it is easy to see that the par value of the shilling is about 24.3 cents, compared with 23.8 cents for the mark. The franc, as well as most other standard European coins, has a par value of only 19.3 cents; while the kroner of Norway, Sweden and Denmark has a par value of 26.8 cents.

If, therefore, we should lay these coins in a heap, placing the largest and most important at the bottom, and piling the others on top, we would have a silver pyramid with the kroner for our base, the British shilling next, the German mark as our fifth coin, and on top a number of francs, lire, drachma, pesetas, and lei—all the latter being of about equal size, and all worth 19.3 cents of our American money each.

How does it happen that this plump silver German mark has dropped to the gutter along with Bolshevik-Soviet rubles, Hungarian crowns—almost paralleling Mexican currency and Confederate money?

As explained, there is no such thing as the shiny silver mark of old, and the quotation of 1.42 we see in the daily papers does not mean that kind of money. There is, however, a much deeper and more significant reason for the fall of the mark, which the writer will try to explain in elementary economics and simple arithmetic.

Simple Arithmetic

Let us assume that the pre-war honest-to-goodness old mark was worth 23.8 cents. We *must* assume it, because the entire world accepted this valuation.

Every one knows that all the nations have increased their supply of currency since the war started, and that an increase in the currency without a corresponding expansion in production and exports means "inflation." Inflation really means a lessening of the buying power of money, because there is more money to go round, while commodities and production decrease in proportion. Consequently, it takes more money than before to buy a given quantity of anything, from sugar to coal, down to stocks and labor, and seemingly the latter must all go up. That gives the "inflated" country an air of prosperity, because every one gets more money to spend, wages are higher, and everything seems to have a tremendous value—that is to say, in terms of the inflated currency.

The principal balloonists of Europe, so far as their currency is concerned, have been Russia and Germany, the two largest of the former empires that have had the biggest fall. Most people, even "the man in the street," know the lack of value behind the Russian ruble, and those who wish to gamble in it are probably prepared to lose—as they probably will. But, the German "mark" has the prestige of a more organized and powerful nation behind it; a nation that is going to have the business and moral support of a dozen other nations because of their financial interest. We only need consider the inflation in the mark as speculation is cent red in it, as the most favored of all depreciated currencies.

Employing simple arithmetic, as promised, the writer learns that the German Empire has multiplied its currency sixty-fold since the war began in August, 1914. The value of the pre-war mark was maintained by the simple expedient of stabilizing it by a large gold reserve; in other words, "pegging it" by purchases in new gold where the supply exceeded the demand. Big nations were always anxious to have their coinage have a standard fixed value, and they were careful to maintain a proper ratio of gold to paper currency. In plain language, each bill was really gold-lined by stocks of gold held in national treasuries, banks, and other suitable repositories of national wealth.

What happened to Germany's huge stock of gold behind its pre-war money—which was then real money—is easily accounted for by the demands of war. Gold was and is the one stable means of purchasing in any country and from any one. This reserve was undoubtedly drawn upon from time to time, until at present the stock of it is undoubtedly negligible in relation to the paper called "marks" that are outstanding against it.

In other words, in place of a silver coin that had a standard of weight and fineness, backed by gold in national vaults, the mark is a paper token of debt, expanded sixty-fold, and with a mere trace of its former golden backing. It is doubtful if a hairline could be drawn on all the 1,000-mark bills in existence, showing the gold applicable to any bill.

In the absence of official figures, it is conservative to figure the very modest loss of only one-half of Germany's gold reserves against its former currency. This cuts the intrinsic value in half, or a shrinkage of 11.9 cents, and we must forget the old par value of 23.8 cents until all the lost gold is replaced.

On top of this comes a sixty-fold increase in the amount of marks outstanding, without any corresponding increase in gold, wealth, commodities, territory, or any "tangibles" to offset this inflation. Simple arithmetic demands the elimination of hopes; so dividing our depreciated 11.9 cent mark by 60, we get the new figure of .198 as its new value. This is approximately *one-fifth of an American cent* as the value of Germany's paper mark, that the uninformed individual buys for 1½@2 cents, in the belief that he is getting something for nothing.

If our arithmetic is only approximately correct, and I believe I am very conservative in figuring these values, then the buyer of currency should be getting between 7½ to 10 marks instead of 1 mark, for each 1½-2 cents he now lays out.

No Allowance for Depreciation

In trying to figure the intrinsic value of the mark, no allowance has been made for the tremendous depreciation that has taken place still further, through the loss of territory in Europe, the German colonies and possessions beyond the seas, loss of man-power, efficiency, health, coal and commodity obligations under the treaty; and last but not least, the unknown quantity of an indemnity that will certainly run into the billions of *dollars*, probably payable in gold, production, and commodities, that will for generations prevent Germany from backing its present paper currency with definite values. These last factors detract still further from the present and potential value of the mark, and, in fact, make it impossible to arrive at any reasonable basis for approximate valuation.

These are some of the reasons why comparisons of the mark with former par values seem fatuous, if not disingenuous. Whether the "bulls" on marks are sincere, I know not. If they mean what they say, then I believe a further study of their long forgotten economics and mathematics will do no harm. If they are optimistic on marks on general principles, then the writer believes their optimism is ill-advised, because only the poorer and more ignorant among our American and foreign investors are likely to suffer and lose. It is criminal to encourage the "little fellow" to dabble and gamble in marks by harping on the former par values, because these sponsors well know (or ought to know) that marks have no more chance of recovering a substantial fraction of their old values than Germany has of reinstat-

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Financial Situation Improving in Great Britain

Tight Money a Hindrance to Expansion—Effects of the Coal Strike on Shipping—Results of British Fiscal Policy

By **MAX GOLDSTEIN**

London, England

IN a broad way economic movements in England since the armistice have been similar to those in the United States. First, there was a period of depression immediately following the armistice, then a boom period, and now the country is apparently reaching the end of a final period of readjustment.

The textile industries were among those most severely hit by the popular demand for lower living prices. Prices declined in some cases nearly 50%, with corresponding hardship to the financial interests involved. Production is now gradually beginning to creep up again, however, on a level of costs and prices readjusted to the new conditions. A great hindrance to the resumption of activity has been the sporadic appearance on the market of stocks of cloth and finished products, which, after a period of waiting, have had to be dumped for what they would bring, because of credit stringency.

The money situation in England, which is exercising a dominant influence over a number of industries, is such that current quotations are practically nominal. On the London Stock Exchange, for instance, call money, or "day-to-day advances," is nominally being offered at 4½% and 5%, and in some cases 4%, while renewals are charged at 5¼% to 5½%. At the same time, trade bills are calling for 7% to 7½%, while the rate of yield on high grade investments, which is the real test of the money situation, is even higher than in the United States.

Illustrative of this condition was the offer, some days ago, of 8% seven-year secured notes of the Explosives Trades, Ltd., a consolidation of a large number of companies manufacturing explosives, chemicals, motor accessories, etc., at 96½. The issue amounts to £3,000,000, and is secured by deposit of over £6,623,000 of common and preferred shares in Nobel's Explosives Co., Ltd. Sinking fund and priority of obligation provisions make it a strongly secured issue, and a highly conservative investment for a fairly short period, but its yield is obviously extremely high. The recent issue of Dorman & Co., Ltd., 10% preference stock, another well-secured issue, points to the same conclusion, that no matter what the quoted rates are, money is extremely scarce in Great Britain.

Such a condition is obviously opposed to any far-reaching plans for expansion and is made worse by the fact that the accumulation of new capital will probably, for some time at least, be slower in Great Britain than in the United States because of the heavier incidence of income and excess profits taxes, besides the comparatively new corporation tax. We may, therefore, expect relatively high money rates to prevail in England longer than in America.

Exchange Situation Will Be Strengthened

One incidental result of this situation should be to aid the recovery of the pound sterling in foreign exchange. With investment yields more attractive, other things being equal, and in addition the possibility of speculative profit involved in the recovery of the pound, there is already noticeable a tendency on the part of American capital to flow into England, which should tend to raise the exchange value of English currency.

Other factors tending toward the same conclusion are the prospective reduction of grain and cotton imports into the United Kingdom from America with the success of the wheat crops throughout the world, and the great strides now being made in the lengthening of the staple of Indian cotton, which has hitherto been so short that it was not so good for spinning as American cotton. As costs in general drop, some increase in gold production may be expected from marginal mines, which are unable to live at the present level of costs, and this should serve also to re-establish the value of the pound. All this, however, is looking well ahead into the future.

THIS article is a first-hand report on conditions in England, received from a member of our staff who is now traveling abroad, partly for the purpose of investigating financial and industrial conditions on the other side. His unbiased presentation of facts is of interest, especially at this time when so many conflicting views are being expressed.

Shipping Outlook Not Bright

For the time being, one dark spot is the shipping outlook. Under present conditions of underproduction throughout the world, and with the large additional tonnage built up since the war there is apparently a temporary surplus of shipping. The freight market, therefore, has been in the shipper's hands rather than in those of the shipping man's, and the consequence has been a wholesale reduction in rates, which may continue for some time.

The coal strike affected the shipping industry in a number of ways. By cutting down production in England, it cut down the amount of exportable freight, besides more directly interfering with the bunkering and exporting of coal. At the same time, by practically restricting operations to oil-burning vessels, it gave a seeming strength to the freight market, conditioned on inadequate tonnage.

The real factors behind the case are shown by the foreign trade figures, which give imports for the first nine months of 1920 as £1,501,191,000, as compared with £557,767,000 for the corresponding period of 1913. Actual tonnage handled, however, shows a decline from 41,619,000 tons in 1913 to 34,128,000 in 1920, and a similar falling-off in tonnage is shown by the parallel figures for exports:

	1920	1913
Weight, expts. of coal..	23,087,000	56,898,000
" " of all others	8,113,000	11,225,000
Value, total exports..	£1,007,278,000	£390,762,000

As against American shipping, Great Britain has the heavy advantage of lower initial costs. Lord Inchcape, of the War Disposals Board, is selling ex-German steamers at £20 a ton, or the equivalent of $70, while our Shipping Board is asking $170 to $200 a ton for similar tonnage, prices being based, presumably, on reproduction costs. It is calculated that the difference in insurance rates alone, based upon the lower costs, would pay an 8½% dividend on the British-owned shipping. With a lessening in shipbuilding activity, and the creation of new business with the increase of productivity, particularly in Europe, and the opening of the vast volume of Russian trade in grain, furs, etc., easier times will no doubt prevail in the shipping industry, but all this will take time to work out, and in the meantime British shipping is seeing its dark days.

The Fiscal Policy

British fiscal policy is attracting a good deal of discussion at the present time, the impression prevailing that the burden of taxation is too high, particularly as it is directed more to the extension of the scope of Governmental activity than it is to the reduction of the war debt. The excess profits duty (popularly known as the E. P. D.) and the corporation tax are coming in for much adverse criticism, on the grounds that they are deterrents to business expansion and, after all, unjust.

The instance may be cited of a rubber company, whose chairman at a recent annual meeting announced that because the company had had one bad year immediately following the outbreak of the war, although it had been making very good earnings subsequently, it was not liable to E. P. D., and would not be for some years, most likely, on account of the peculiar way in which the duty was calculated. It would not be surprising if an act productive of such anomalies were rescinded, and new sources of revenue found. In this connection the renewed activities of the protectionist group may, perhaps, be significant.

For the time being, however, fiscal results have been very favorable, so that conditions are believed to be ripe for a funding of the floating debt in such a way as to provide for its steady reduction. The Government's financial position is believed to be sound enough to permit of perhaps really drastic action in this respect. From this point of view, therefore, the Government's policy may have been a success, though its opponents declare that these results were brought about only through the very facile means of over-taxation in the first place, which left enough margin for the extravagance which they allege exists in most departments.

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The World's Business

Belgium's Trade Balance Will Soon Become Favorable—American Goods in Norway

BELGIUM'S REMARKABLE RECOVERY

SOME thought that the very life had been crushed out of Belgium by the war, or that, if the vital spark still glowed, it would be years and years before the country could approach her former state. One-third of her factories had been destroyed; more than 1,300 miles of standard gauge railway and 1,400 bridges rendered useless, and a great portion of her machinery carried off by Germany and Austria.

But now the factory output of Belgium is 75% of what it was before the war; four-fifths as many freight trains are running, and the passenger service is 60% of the normal pre-war rate. More coal is being produced now than in 1913.

Belgium's foreign trade is in a healthy state, too. The relative growth of exports as compared with imports, if continued at the present rate, will give a favorable balance of trade before the end of the year. Already this courageous little kingdom has a favorable trade balance with France, Holland, Germany and other countries. The trade balance is heavily against her only in those countries from which food and raw materials are being purchased, as the United States, Canada and Argentina.

As a market for United States exports, Belgium has regained her pre-war standing, being again in fifth place, and as a source of supplies for Belgium, the United States in the first two months of 1920, was second only to the United Kingdom.

An idea of Belgium's trade recovery can be had from the accompanying table which gives the comparative figures for the first nine months of 1913, 1919 and 1920 for ships entering the port of Antwerp.

SHIPS ARRIVING AT ANTWERP

Ships and Tonnage	First 9 months of— 1913	1919	1920
Steamers	5,062	2,621	5,186
Sailing vessels	289	838	652
Total ships	5,351	3,459	5,838
Tonnage (steamers)	10,400,360	3,240,358	7,699,365
Tonnage (sailing vessels)	157,342	165,510	228,792
Total tonnage	10,557,702	3,405,868	7,928,157

GERMAN PLAN FOR MEETING UNEMPLOYMENT

The closing down of many plants, especially textile factories, throughout Germany has caused the Government much concern and the result has been that the Ministry of Labor and the Ministry of Economics have jointly worked out a plan which they believe will minimize unemployment. The plan is now being discussed by the National Economic Council and it is probable that it will be brought before the Reichstag during its present session.

Owners of factories that have closed assign various reasons for such action. Some reasons given are scarcity of credit, lack of raw material, absence of markets, difficulties with foreign exchange, and labor conditions.

A representative of the Department of Commerce in Berlin says the plan provides that factories which employ more than 20 workmen, and which are intending to close down permanently, would be required to furnish the Government six weeks' notice of their intention to do so. Those factories intending to close down temporarily would be required to give four weeks' notice before closing down. The Government would thus be accorded an opportunity to investigate the circumstances surrounding the proposed closing down with a view to ascertaining the reason therefor. Should the manufacturer ascribe lack of credit as the reason for his proposed action, it is hoped that the proposed Reichswirtschaftsbank (National Economic Bank) would be in a position to come to his rescue. If it happens to be a case where there exists a lack of raw materials, it is felt that the Government could meet the emergency in such a case through the medium of its various purchasing agencies for raw materials.

On the other hand, if it develops that the owner is closing his factory down to suit his convenience, then some expedient would be adopted by the Government, such as the sale or lease of the factory to some one who would continue its operation.

VANILLA PRODUCTION IN MEXICO

Over 50,000 people are employed in Mexico in the cultivation and extraction of vanilla—one of the most important of the minor extractive industries of the country. Vanilla is indigenous to the soil of Mexico and, according to Trade Commissioner Cunningham, it grows more or less in a wild state in the low hills, and with such abundance that it perfumes the air in the vicinity. Formerly this wild vanilla was common property.

Vanilla grows best in rich, sandy soil not drained too thoroughly, and when growing wild it is usually sheltered by the trees of the forest; in the state of cultivation it is protected by trees planted for that purpose. The temperature most favorable for its production is about 85 degrees F., and it grows best at an altitude of 1,000 feet above sea level. The character of the soil, the temperature, humidity, etc., all have an influence on the quality of the vanilla, its aroma, and its strength.

Vanilla ripens most extensively in January and February, but for several years the crops have been prematurely harvested in October and November. This is due to the great demand for the fruit and to the fact that many planters live at some distance from their plantations, which are plundered by the natives if the fruit is allowed to ripen.

There are four classes of vanilla beans: the large-fine, the small-fine, la zacate, and la basura. The first two are practically of the same commercial value and the weight of the bean is 10 to 12 ounces. The zacate, which is a large bean weighing more than the former two, grows more abundantly along the roadsides in the warm and hot regions of Mexico, where formerly it was considered to be without commercial value.

The United States buys most of the vanilla of Mexico, and for this reason the dollar is the basis of price, both for buying and selling. The price at the plantation is $2.50 to $3.00 per pound, at Vera Cruz about $3.50, and in New York about $4.50 per pound, with duty paid. Practically all of the vanilla exports in 1919 were to the United States, this country receiving 193,663 kilos of the total 197,403 kilos shipped.

France and Spain were the only other countries to receive an appreciable amount of the commodity in 1919. In 1918 only 45,006 kilos were exported and the United States bought 44,346 of this amount, while in 1912-13 this country received 267,000 of the 288,000 kilos exported.

Money, Banking and Business

Stocks at a Crucial Point

How the Factors of Liquidation, Money Rates, Bond Prices and Trend of the Stock Market Have Worked Out in the Past—Some New Influences Now to Be Reckoned With

By **SCRIBNER BROWNE**

THE highest point of the average of fifty combined railroad and industrial stocks in 1919 was 99.59, touched on Nov. 5. In the recent liquidation, a low point of 72.29 was reached on Nov. 20, 1920.

This marks a period of a year of bear markets—interrupted, as usual, by important rallies, but revealing a general downward trend throughout.

We are, therefore, at a very interesting stage of the movement. A brief study of the movements of the market since 1902, as shown on the graph herewith, shows that prices have moved in more or less clearly defined cycles, in which the duration of liquidating markets has been substantially as follows:

	Months
1902-1903	10
1906-1907	11
1909-1910	7
1912-1913	8
(July, 1913, to Oct., 1914, deranged by war.)	
1916-1917	13

A period of a year, therefore, is somewhat more than the average length of a bear market, and we may reasonably begin to consider the possibilities of a reversal of trend. We are at what might be called a crucial point.

It should be noted, however, that the duration of bear markets as given above does not mean the period from the extreme high of the average to the extreme low, but refers to the main period of active liquidation. A bear market is often preceded by a period of distribution or followed by a period of accumulation.

We cannot, of course, place any absolute dependence on this matter of time. Prices respond to conditions, and conditions will naturally work themselves out more quickly in some situations than in others. All we can say is that, as a rule, when stock market liquidation has been in progress for a year it is likely to be pretty nearly completed.

Is there any reason for thinking that the present situation will require a longer time before it can be cleared up?

Stocks and the Money Rate

To get additional light on this point, let us turn to the relation between stocks and the money rate. The monthly rate on highest grade commercial paper at New York is shown at the top of the graph, and we see at a glance that, in a rough and irregular way, money rates are high when stocks are low and money rates are low when stocks are high.

This is what we would naturally expect. Every investor has the choice of lending his money at interest, or investing it in securities. The higher the money rate he can get for it, the less likely he is to use it to buy stocks, and he may decide to sell his stocks and put his money out at interest. Likewise, if he can get only a low rate of interest on a loan, he will turn to the stock market to see if he can buy stocks which will give him a better yield, and his buying will help to advance prices.

Examining the graph a little more closely, we see that the correspondence—in point of time—between high money rates and low stock prices was fairly uniform up to the beginning of the war. In the years 1917, 1918 and 1919, stocks moved almost independently of money rates. This was evidently due to the fact that the war was a more powerful influence than money rates, and to Government control of the money market. But in 1920, with money rates again responsive to more normal conditions, we find a return to the former rule of high money rates and low stock prices coinciding.

After all bear markets shown on the graph prior to the war, stocks began to rise when the commercial paper rate began to fall from an unusually high figure. Even in 1914 this move made a start, but was knocked in the head by the approach of the war.

It will be noted that the money rate now, after having been maintained at 8% for some months, shows signs of easing. The decline so far is only one-quarter of one per cent., but this has been preceded by a stable rate during the fall months, when a seasonal rise is naturally to be expected, so that it is more significant than such a small change would usually be.

So far as conclusions can be drawn from the money rate, then, we should be near the turn of the stock market toward higher prices.

Effect of Federal Bank Law

We must, however, bear in mind the fact that the new Federal Bank law has become effective since the pre-war period with which we are making comparisons; and in view of the very great change resulting from the new system, it is quite possible that the movements of the money rate might be modified.

If so, how and to what extent?

The fact that we got through the Fall without a money panic was unquestionably due to the ability of the Federal Reserve Banks to rediscount, and in that way to permit a greater increase of bank loans than could otherwise have been managed. Without the rediscounting privilege, our money rates would have gone above 8%. They might, in fact, have soared to almost any height and would certainly have brought on a genuine crash.

Now that the worst is past, and loans have either already embarked upon a declining trend or soon will do so, the Federal Board will wish to cut down rediscounts considerably and will therefore maintain the current rediscount rate for a time—how long a time will depend upon how conditions develop.

This will presumably have the effect of preventing any such sudden drop in money rates as occurred in 1904, 1908, or at the end of 1913. Liquidation has been better managed under the new law. It has been more gradual, accompanied by less hardship. But by the same token it has not been as thorough, and therefore the release of credit will probably not be as sudden.

My view would be that this difference would not so much tend to prolong the bear market as to hold prices near the low level for a longer time. Once money rates have begun to ease, there seems no logical reason why the money factor, at any rate, should work against stock prices any further. But if our progress towards easier rates is slow, it seems reasonable to conclude that the recovery of stock prices may be slow also, and may perhaps be preceded by a longer period of accumulation than at some times in the past.

Effect of Commodity Prices

On the other hand, if money rates may be slow to come down, the same cannot be said of commodity prices, for they have fallen faster and farther than ever before in the same length of time—barring Civil War prices as measured in the depreciated paper currency of the time, a situation quite different from the present.

So long as business men have not yet cleaned up the loans made on the basis of the previous high price level, the break in commodity prices does not have any strong bullish effect on stocks. The most it does under those conditions is to prevent conditions from getting any worse.

But this cleaning up process is in progress and should shortly begin to show more noticeable results. It will, of course, take some months; but once it is accomplished, after such a drastic drop in commodities, it will release a correspondingly larger amount of credit than would have been released by a more moderate decline.

As for stock market loans, they have

been liquidated and reliquidated until they are far below normal. They are now estimated at $750,000,000. That figure, of course, does not pretend to accuracy, but it is hardly more than 40% of the similar estimates made when stock market loans were largest in 1916 and 1919.

It will be seen, therefore, that although the Federal Board will wish to see a reduction of rediscounts before marking down money rates, nevertheless, the commodity liquidation has been so severe that rediscounts ought to come down within a reasonable time as a result of the natural release of credit now tied up in high-priced goods and materials.

Relation Between Stocks and Bonds

The graph also shows that before the war the low point of bond prices roughly corresponded with high money and low stocks. This "Minor Cycle," which is comparatively clear in money and in stocks, is less marked in bond prices, yet it is evidently not entirely without effect.

The lowest point of bond prices was touched last June. The subsequent advance in bonds has been due partly to the fact that money rates have not been permitted to reach prohibitive figures; partly to the extremely low level of bond prices reached, making them exceedingly attractive to investors; still more to the sharp decline in commodity prices; and perhaps most of all to the restoration of railroad credit by the new rate law.

It has been only in periods of panic that bond and stock prices have actually made their low points together. The factors which influence the two classes of securities are considerably different, and we cannot safely assume that they will move together.

Nevertheless, the fact that bonds have been able to rise quite sharply in the face of an 8% rate for commercial paper, 9% for time money, and a liquidating stock market, is distinctly encouraging. It shows that investment capital is still available, even though superficial appearances might lead us to think that it had almost dried up and disappeared.

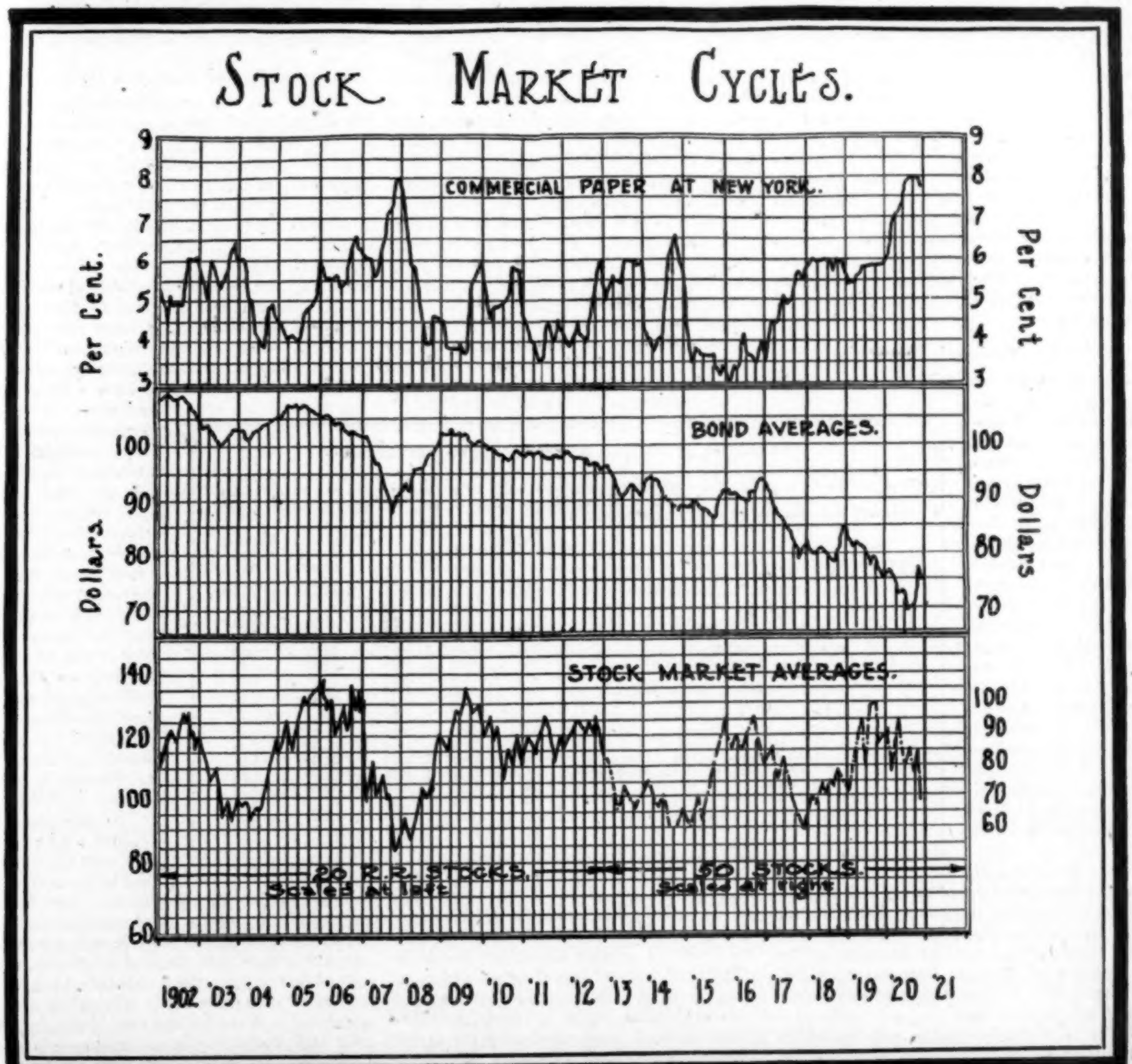
Now that bonds have been, in general, on the upgrade for nearly six months, it would certainly seem that stocks should have their turn before long.

For the Investor

I fully realize that none of the above considerations will interest the active speculator. He wants to know, not what stocks will do within six months, but what they do tomorrow or next week. I couldn't tell him, and no one could tell him with any assurance, though there are doubtless some who might be right three times out of five.

The factors above analyzed have little or nothing to do with the "five point swings" of the market. They are strictly long pull considerations and must be accepted from that point of view, if at all.

Perhaps I should add also that I have no confidence in historical parallels except as they are based on similar combinations of the more important factors affecting prices. But I believe that money rates, bond prices, and commodity prices are such factors, and that a study of the actual combinations which have occurred in the past and the reasons for them, and how they have worked out into stock market movements, has a definite practical value.



How to Select a Municipal Bond

Precautions Investors Should Take—What These Bonds, as a Class, Have Back of Them—Municipal Credit

By J. L. CHEATHAM

MOST investors judge all municipal bonds by the best of that class. They do not realize that, in this branch of investment, to obtain the best and most satisfactory results as much care must be exercised as in selecting industrial and other bonds.

If industrial corporations were allowed the laxity in making their reports and the freedom in other matters that municipalities are allowed, it would be well-nigh impossible to sell industrial securities. However, it is only just to state that the investing public has been well protected by the skill and care of the bond attorney. who has for many years stood between the taxpayer and the investor, protecting each against the other, and working in the interest of both for a still higher development of municipal bond law and bond practice.

This scrupulous care and skill has been one of the strongest influences toward establishing the present credit of American municipalities. Many are the loans that have been held up and corrected by attorneys before such issues would be accepted, and the work of bond attorneys is now so well and so systematically done, that the investor may safely depend on their statements and give themselves to other considerations than those connected with validity. However it is well to mention some of the important conditions affecting the validity of municipal bond issues.

What Municipal Bonds Are

When we speak of city and town bonds we generally mean the funded obligations of "municipal corporations proper," that is, of those political subdivisions of the state which have been incorporated by the voluntary consent of the community. The credit of such a town or city differs in no way from that of a firm or an individual, and is based on records and figures, but it is not wholly determined by such data. Municipal credit is, in reality, the composite judgment of bond buyers as to the certainty and promptness with which payments shall be met. In other words, the safety of principal and the assurance of regular payment of interest are of as great importance in municipal bonds as in the case of any industrial or railroad issue.

EXAMPLES OF RECENT MUNICIPAL BOND OFFERINGS.

Municipals in some sections of the country are now obtainable to yield 6% or even more. Even the bonds of some of our big cities yield over 5%. It is necessary for the buyer to get late quotations from houses dealing in municipals, as offerings are usually sold quickly. The following are examples of some recent offerings:

	Interest Rate	Maturity	Price with Interest	Yielding about
City of New York, Registered	4s	Nov. 1, 1956	82.63	5.05%
City of Boston, Mass., Registered	3½s	July 1, 1935	82.12	5.25
City of Jersey City, N. J., Coupon Gold	5½s	Aug. 1, 1952	103.85	5.25
City of Brockton, Mass., Registered	3½s	Feb. 1, 1934	82.45	5.35
City of Chicago, Ill., Coupon Gold	4s	Jan. 1, 1931	89.05	5.40
City of Portland, Ore., Coupon	4½s	May 1, 1948	87.82	5.40
City of Lynn, Mass., Registered	4s	July 1, 1928	90.56	5.50
City of Fall River, Mass., Registered	4s	Nov. 1, 1926	92.25	5.50
City of Milwaukee, Wis., Coupon	4½s	Jan. 1, 1930	92.78	5.50
City of Minneapolis, Minn., Registered	4s	Jan. 1, 1927	92.07	5.50
City of San Francisco, Cal., Coupon	5s	July 1, 1949	92.80	5.50
Town of Swampscott, Mass., Registered	3½s	Aug. 1, 1928	87.30	5.50
Town of Westfield, Mass., Coupon	3½s	June 1, 1925	91.75	5.50
City of Norwalk, Conn., Registered	3½s	July 1, 1929	85.53	5.60
Town of Methuen, Mass., Coupon	4s	May 1, 1924	94.30	5.75
City of New Bedford, Mass., Registered Gold	3½s	July 1, 1925	90.62	5.75
City of Canton, Ohio, Coupon	5s	Oct. 1, 1924	96.43	6.00
City of Portland, Ore., Coupon	5s	July 1, 1922	98.30	6.00
City of Revere, Mass., Registered	4s	April 1, 1923	95.28	6.00
City of Springfield, Ohio, Coupon	4s	Mar. 1, 1923	95.42	6.00

The volume of industry and commerce, the diversity of business interests, as distinct from population and taxable wealth, give very pertinent figures. These figures may be found in the statement of bank deposits, capital, surplus, and clearings, and in statistics of building, employment, and wages. Mere age, coupled with a good record, is of great advantage and materially assists the credit of such communities.

In addition to the actual taxable wealth, the business activities, the growth and age of such municipalities, the character of the population is of importance. Hence communities showing socialistic tendencies are not looked on with favor, while cities which have large educational institutions in their midst and have a well-educated, far-seeing and progressive population, can be given a high rating.

Features Influencing Price of Municipal Bonds

The price paid for municipal bonds is largely represented by the prevailing interest rates for money. Still there are other price factors besides relative security and current interest rates; as for instance, whether or not the city offering the loan is of sufficient importance and its obligations, as a whole, sufficiently well known for the loan to be a staple of the bond market.

Local demand is a very important price factor, since naturally the call of every section for its own municipal securities is strongest. Within a state the laws and regulations are fairly uniform, consequently the price of bonds issued by any municipality within its boundary is affected by the wealth of the state. In other words in the older and richer states where capital for strictly investment purposes is large, the prices obtained discourage purchases by investors outside the state. While institutional demand is not always a phase of local demand, it is generally true that such demand bulks large in many localities. Laws in each state regulating the investing of trust funds, deposits of savings banks, etc., are naturally most favorable to the securities of home cities, towns and districts, since home affairs are of immediate knowledge and are subject to regulation.

The Tax Exemption feature, as applied to municipal bonds, is the most important factor aside from the character of the security and the prevailing cost of money. Nowadays this feature is a great influence in determining who should buy such municipal bonds when figured purely on the investment return. Tax Exemption is a deep subject and not even all the general aspects are familiar to the investing public. For instance, in all probability the large majority of bond buyers do not know that bonds issued by territories of the United States or by municipalities in such territories, are exempt from state taxation or from taxation by the political subdivisions of the state.

Validity of Municipal Bonds

When the investor desires to select municipal bonds, he should examine each issue carefully and his investigations should cover the validity of the issue, the financial condition of the municipality and the good faith of the community.

It has often been stated, with a certain element of truth, that municipal bonds are good if legal; but whether or not this sums up the general impression of municipals, it would be hard to say. However, legality is not the broad term but rather validity, since a bond might be issued which, though not in complete accordance with the law, would still be a valid obligation. It is very fortunate, not only for investors in American municipals but also for our cities themselves, that both state and federal courts have taken the stand that repudiation shall not be generally permissible on grounds of mere technicality. Otherwise the status of municipal credit would not be on its present high plane.

The question of validity hardly ever arises for federal government or private corporation loans. But there are such a variety of conditions under which municipal bonds are issued, the laws so obscure, so intricate and so diverse, the municipal corporations themselves so various in character, their officers so often unsuited and inefficient, that opportunities for loss would be innumerable were it not for the experienced bond attorney who ex-

amines all legal details with such scrupulous care.

Causes of Illegality

The causes of illegality are legion, and it would be practically impossible to mention them all; however, when analyzed they resolve themselves into four groups which have to do with the following:—the authority of the issue; the process of issue; the purpose of issue; and the violation of debt and tax restrictions.

The authority to issue municipal bonds rests in constitutions or statutes, and thus, in reality, resides in the legislature. While constitutional enactments are readily accessible, the statutes have to be studied very thoroughly, since no one can tell in what obscure place may be hidden an act that may have a very vital bearing on the subject.

The most frequent cause of invalidity arises from minor errors connected with the process of issue. One very important item which should always be carefully examined is that any special tax levy be voted if so required by law; and if there are any restrictions to the power of taxation, it is equally important that the margin between the tax rate necessary for the funded debt and the rate permitted by law, be amply sufficient to allow for any reasonable charge for the current expenses of the municipality.

The purpose of issue has played an important part in matters of legality and is a factor worth serious thought. It is in the furtherance only of public enterprises that municipal corporations may enter into contracts and create obligations, and even statutory authority may not overcome this limitation. Not only must the purpose of issue be made public but it must also be in keeping with the political functions of the municipality. Because the social and political demands of cities and towns are more numerous and varied than those of counties and taxing districts, and since their corporate existence approaches more closely to independence, there are more legitimate purposes for which cities and towns may issue bonds.

The great majority of all issues are for five general purposes, namely, waterworks; sewers and drainage; schools; streets and bridges; and public works.

Debt or tax restrictions give constant concern to bond attorneys, although the law itself is generally explicit enough. One of the main difficulties is that there may often be disagreement as to the classification of debts, especially in cities, so that the net debt, upon which the restrictions are based, may be in dispute.

However, invalidity, as affected by the authority, purpose, or process of issue, or by the violation of debt or tax restrictions, is nearly always accidental.

How to Examine the Financial Condition of a Municipality

The financial condition of the municipality is probably the most important feature affecting the worth of a municipal bond; and the size of the city, its wealth and prospects form the basis for arriving at this financial position. The city statement will give the truest indication of material conditions, but it is important to remember that no municipality is in any way responsible for the correctness of the statement issued, and thus the truth or falsity of such a statement has no bearing upon the legality of any bond issue.

In addition to the city statement, the tax rate of the municipality is of interest. It shows to what extent the city or town is drawing annually upon its resources to sustain, protect and improve its social and corporate life. When one analyzes this rate, care should be taken that the figure does not include too much nor too little. In other words, be sure all taxes of various forms have been included and that the overlapping tax districts, etc., have been properly segregated.

The tax rate of a community when considered apart means nothing and such consideration begins to have value only when made the basis of comparison. Such comparisons may be made with the previous annual tax rates of the same municipality, or with the present tax rates of other municipalities of the same class which have general conditions as nearly the same as possible. Best of all a comparison may be made of the tax rate of a municipality over a period of years with the tax rates of similar municipalities of the same class over a like period.

When comparing the tax rates, these rates should be based on full property valuation. It is obvious if the tax rate is based on full valuation in one case and two-thirds valuation in another and half-valuation in still another, that these tax rates are useless for any comparison purposes. In addition it must be remembered that most comparisons of the tax rates of one kind of political division with another are void; hence, to compare the state tax with a municipal tax is useless.

The real municipal tax rate is the index of the extent to which the tax power is being employed to take care of current and fixed charges. The limit to which tax power must be exercised, and the extent to which it may be used, are the most important considerations in purchasing municipal bonds.

The Power of Taxation and Good Faith

The power of taxation cannot be invoked by the bondholders of a municipality when its application is in conflict with tax limitations already set by law. It must be noted that restrictions upon the tax rate usually cover, not only moneys raised to pay the interest and principal of loans, but also current expenses. In municipalities expenses are comparatively heavy and therefore the risk of the bondholder is proportionately increased. Cities and towns regulate their own domestic economy and consequently the good faith of a community is a feature worth considering by the prospective bondholder. Material calamities, such as severe earthquakes or devastating fires and floods, may tempt a municipality to act in bad faith, and this result may be attained under any law restricting the power of taxation, since its assessed valuation could be reduced to the point where the tax rate would be little more than sufficient to take care of current expenses.

Assessed valuation is the value put on the property by assessors as the basis for taxation, but this assessed valuation is of importance mainly in its relation to the tax rate and to real valuation. Real valuation, itself, is liable to different interpretations from different assessors, and even when the law says that assessment shall be at full value, it is often allowed to fall far short of that. Since assessed valuation is such an arbitrary matter, and since there is no fixed ratio of assessed to real valuation, when comparisons are made between municipalities great care should be taken to see that all such comparisons are made on a common basis.

Good faith has been mentioned before as an asset to municipal credit. Notwithstanding the fact that prosperity is the best guaranty of debt payment and that good faith is easily influenced by both prosperity and legality, yet good faith is a thing apart and may support the credit of loans which are backed by neither of the other two. On the other hand, bad faith may exist where there can be no question of either financial ability or validity. However, in summing up the situation it must be said that there can be no greater assurance of good faith than the simple statement that no American municipality of any importance has defaulted, in recent years, on the principal or interest of any of its obligations.

Conclusion

We thus see that municipal bonds must be subjected to the same scrutiny as other bonds, and the validity of the issue, the financial condition of the municipality and the good faith of the community, must be carefully considered.

The larger the population, the more substantial and natural the growth, and the more diversified the business—the better from the bondholder's standpoint. The turning point of a city's growth comes, as a rule, when its population reaches 70,000 to 80,000. At such size the town begins to take on metropolitan characteristics. The places of amusement multiply; the business life overflows the main thoroughfares; the community is awake by night as well as by day; it becomes a shopping center; traction, lighting and other public utilities are placed on a commercial basis; and the realty valuations are more secure.

Until the safety of principal is evident and the regular payment of interest assured, an investor should never buy a bond of any kind. If he lacks the facilities or experience which would enable him to personally investigate the complex municipal bond, then he should buy only under the guidance of a reliable investment banking house or municipal bond expert, whose reputation is a guarantee that the securities recommended are of the highest grade.

However, it may be safely stated that in the aggregate, American municipal bonds are the best security for the American people to buy, and as a class, they will probably cause less regret to their purchasers than will any other type of bond now commonly bought for investment.

SHIPS THROUGH PANAMA CANAL

Commercial vessels which had traversed the Panama Canal since its opening in 1914 had reached a total of more than ten thousand at the close of the fiscal year ended last June 30. The average monthly number of vessels making the passage has risen steadily to average 144.9 ships per month.—*Coal Age.*

What Thinking Men Are Saying

Constructive Views on Business Situation Given by Bankers and Business Leaders

EASIER MONEY AND BETTER BUSINESS LIKELY NEXT YEAR

Francis H. Sisson, Vice-President Guaranty Trust, Analyzes the Situation

"The war-time and post-war changes in commodity prices and the accompanying industrial readjustment have resulted in conditions which are providing a crucial test for the country's banking organization—a test of its ability to maintain a sound credit position while at the same time meeting the essential requirements of business for credit accommodation.

"The soundness of the credit structure, of course, is a primary requisite in this or any other period. Closely associated with that inherent soundness is the question of the flexibility and adaptability of the credit machinery. If soundness of the credit structure can be preserved, together with sufficient flexibility, then the industrial readjustments now under way may be consummated with a minimum of hardship to business interests.

"Despite the tremendous increases in commodity prices and wages, it is noteworthy that the cost of money has increased, on the average, only 25%. In the face of greatly increased operating expenses and losses inevitable in business reaction the banks have been ultra conservative in fixing rates. Money has been the cheapest element in business enterprise. And the charge that the banks have contracted credit to the detriment of legitimate and essential business activities is not sustained by facts.

"It is the function of the banks to vitalize credit by productive processes and by commerce and make it of use to the community. The first and highest duty of bankers is to put available credit in usable form and to distribute and apportion it for the good of the whole community. In discharging this duty, bankers must exercise their best judgment and always give heed to the condition of their reserves.

"In view of our fundamentally sound credit position, therefore, it would seem that what we need above all else now is a stabilization of prices, at new levels, that will bring consumers back into the market. And not until the readjustment has been carried through the list, and prices of basic commodities, such as steel and coal, recede, and general retail prices fall to lower levels, can we find a new starting point. We need, then, to do everything in our power to get commodity markets stabilized as soon as possible, and avoid the dangers of a prolonged economic depression.

"In view of all these factors, it would seem probable that an improvement in credit conditions, with easier money rates, will mark the early part of 1921, and that a prosperous year, with business on a new and more stable basis, is in prospect. We should plan accordingly for the next twelve months, with vision and courage, vision to see realities and courage to face those realities and act."

PESSIMISM CAN BE CARRIED TO EXTREMES

A. Barton Hepburn Decries Unmanly Business Fears

"What we now most need is to recover from the spirit of pessimism and realize the great strength in the resources of our country.

"It has been the aim, I may say struggle, of the business and banking interests to steady the deflation, the inevitable reaction from the wild inflation we have experienced, and enable business to reach a lower and safer level without disaster. People are gregarious, sentiment is contagious, and fear seems to pervade the entire community now, just as extreme optimism did a year ago. There is danger that curtailment of business may be carried to an extreme, as unwise expansion was in the months following the armistice.

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"Working" the road always makes rough going till they get it finished

"The credit fabric of the country I believe to be fundamentally sound. The commercial banks and Federal Reserve Bank are quite able to care for public needs. This has been amply proven in the past two years. We may have a year or more of slow business in which the shadow of the war and its inevitable readjustments will cloud the horizon, but eventual prosperity is sure and it is the part of wisdom to keep oneself and one's business in position to enjoy such prosperity.

"A recent practice in our business activities is very wrong. People order goods freely to meet their needs and then refuse to accept and pay for the same if inconvenient; and if prices fall off it is usually inconvenient. The wholesale welching of contracts to purchase goods is mainly responsible for the embarrassments in commercial business today. This practice should be avoided in future. It is by no means honorable, it begets confusion, entails heavy losses upon the community and depreciates us in the eyes of people abroad. A large business going at full speed cannot be arrested instantly without making trouble. The ruthless cancellation of contracts above referred to is responsible largely for the embarrassments in the present situation.

"There may be trouble in spots, but nothing, I believe, that cannot be successfully overcome. I believe the banks of the country are prepared to, and fully able to, protect our credit fabric. Let us proceed with manly confidence."

STOCK MARKET RAIDS NO EVIDENCE OF DEPRESSION

Geo. J. Whelan Scouts Fears of Foreign "Dumping"

"All the tobacco companies with which my friends and I are identified are in excellent condition. Their earnings are large, and there is no reason why dividends should not be continued or increased.

"I know that a statement such as this will in these times be construed by Wall Street traders as a sign of weakness. If you say anything helpful they attack your securities in the hope of discrediting any constructive effect of your remarks. They attacked the market when money came down to 6 per cent. That was done in the hope of showing that money was not the reason for the market weakness. But no sane man can deny that inability to get money has been the cause of this breakdown.

"Raiding and short selling have been responsible for most of the declines in the prices of our securities. It is beyond the power of any group of men to prevent such things at times. Our stocks are worth more intrinsically than they were a year ago. I want the people who own our securities to be reassured. There is not one thing wrong, and they should not be governed by stock market reports and prices.

"The 112,000,000 people in this country will not remain long in a condition of depression. There never was a period of prolonged depression in this country unless it was caused by the dumping here of foreign-made articles. Such a thing is not possible now in any business and particularly not in tobacco."

RAW MATERIALS AS LOW AS THEY OUGHT GO

President Wm. M. Wood, American Woolen Co., Does Not Expect Pre-War Prices

"With prospective tariffs and taxes we can certainly not go back to pre-war prices. Therefore neither wool nor woolen cloth should sell at pre-war prices. The woolen weavers and garment makers were underpaid before the war. Their wages should never go back to pre-war prices.

"There must be general readjustment all along the line. During the war some

people were underpaid when their wages were compared with the war prices. Many clerks, teachers, preachers, salaried men and many men in established trades felt the pinch of high living prices during the war as their incomes were more or less fixed. Such people would benefit by reduction in cost of living which is now gradually percolating through from wholesale to retail channels. It will take some weeks yet to get the reduction in wholesale prices effective in retail prices, but it is coming. Meanwhile there are many people who were not advanced in wages during the war so early as were shipbuilders, machinists, metal workers and those producing raw material demanded quick in war-time.

"I feel that we have reduced cloth from a war basis to levels that ought to be permanent, but if manufacturers do not buy the goods and mills continue to close down, it is only a question of time when there will be a famine in cloth and some people will pay higher prices for immediate delivery. Viewed in a large way, there must be considerable permanent reduction in the cost of clothing from war prices. Raw materials are down as far as they ought to go. Pre-war prices can never be expected except temporarily under abnormal conditions."

EFFICIENCY WILL COMPENSATE FOR SMALLER VOLUME OF BUSINESS

Mechanics & Metals National Bank Sees Good in Trade Reaction

"In contrast with the extreme optimism prevailing less than a year ago, the severity of the present reaction has thrown a spirit of depression over the entire community. This has added to the momentum of the decline in prices and intensified the curtailment of business in a fashion that manifests afresh how strongly people are governed at times by their emotions rather than by their judgment. As a lack of buying helped to cause a fall in prices, the fall in prices has now caused a lack of buying. The depression seems at first glance to work in a downward cycle, lack of buying causing lower prices and a shutting of factories, and these, in turn, causing unemployment and reduced purchasing power.

"Yet such a cycle cannot continue, any more than the so-called cycle which raised prices and wages to their recent extravagant heights. Conditions, discouraging as they may seem, contain within themselves the seeds of their own change for the better. The orgy of extravagance has passed. Dubious enterprises are being abandoned. Much of the labor absorbed by luxuries will now return to the manufacture of essentials. A stop is coming to the wasteful and extravagant business methods that grew up in the last few years. Insecurity of tenure and less overtime work have already greatly raised the efficiency of labor.

"The efficiency of management will now increase; to overcome the handicaps of high costs of production and lower prices, improved methods of production will be introduced. The freight congestion problem, which for a time seemed unsolvable, is solving itself. To the gradually increasing efficiency of the railroads under private management and the return of self-dependence upon earnings, plus higher standards in loading and unloading in car movement, has been added the factor of a declining volume of goods seeking to be moved."

PURGING OF BUSINESS IS HELPFUL INFLUENCE

Spencer Trask & Co. Put Recovery at Next Spring

"Through the liquidation now being conducted, sore spots are coming to the surface, and it is safe to assume that more will be uncovered or will at least need very careful nursing before the movement will have spent itself. It is beyond question, however, that the situation is measurably better for this purging, and it is our judgment that more than one commodity and more than one stock has already had its major decline, and is unlikely to participate, at least to any considerable degree, in any further protracted fall in prices.

"By this we do not mean to imply that commodities generally have reached their lowest level, particularly in so far as retail prices are concerned. It is true that during the past month the public has been able to buy certain commodities at lower prices, but it would seem as if in many cases retailers were still hoping that the holiday trade would create enough demand to stimulate buying and thereby stay the declining tendency of prices.

"We are very much inclined to doubt if the holiday purchasing will accomplish this end, and if our judgment in this respect is correct, then we shall probably not see commodity prices, either wholesale or retail, at their lowest before next Spring. By that time, however, we fully expect that a revival will take place and that the then condition of the money market will be a contributing factor. Already the enforced liquidation of the last few weeks in commodities and stocks is producing a certain relaxation in rates."

RETURN TO PRE-WAR PRICES NOT TO BE SUPPOSED

National City Bank Would Rebuild Public Confidence

"The elements of strength in the situation will become effective when the conditions are right. The main condition is that all along the line costs must come down until confidence in prices is reestablished. Confidence will not be reestablished in prices that rest upon inflated costs, even though all profits have been eliminated. It will not be re-established in prices that rest upon any artificial support, for all such supports are temporary. Prices may go lower than can be permanently maintained; it is the usual thing in times of reaction that the momentum carries prices too low, just as in times of expansion they are carried too high.

"This is preeminently a price situation. There is no lack of confidence in the future of business when a basis upon which it can go forward is found. Price fluctuations in recent years have been so wild that the public has become distrustful of all prices. For the moment buyers stand aside, and there is little resistance to the downward movement, but of course this is a temporary situation.

"The only prices that seem to be really authoritative are those that prevailed before the war, but it cannot be supposed, that in the present state of industry, this level will be generally reached or maintained. Prices that go too low will recover their proper place as the revival spreads."

LOW MONEY RATES WILL PRECEDE DEFLATION

George E. Roberts Traces Probable Course of Reserve Banks

"The policy of the Federal Reserve authorities may be expected to adhere persistently to the purpose of deflating the Reserve banks and bringing their condition down to what it would be in view of their responsibilities as the custodians of the final reserves of the country. That would mean with reserves fluctuating normally around 75 per cent. The rates probably will be reduced before that position is reached, but the Reserve banks are likely to follow the member banks in reductions rather than lead them. They will want the member banks to get on their own footing.

"As liquidation proceeds, the banks which are not rediscounting, of whom there are many, will be first to compete for open market business, and as rates decline, the houses which have been accustomed to find supplies in the general market will resort to it and pay down their borrowings with their own banks, which will stimulate the latter to get out of the Reserve banks, thus lowering the whole volume of bank loans.

"At this point we shall see the final effects of the policy of lowering the legal reserve requirements. Undoubtedly we are going to run with lower reserves than in the years before the war. The law has been changed to permit it, and we have become accustomed to rely upon the Reserve banks. But the effect is going to be to give us low interest rates long before complete deflation, by the standard of former normal conditions, is reached."

STUBBORN RETAILERS ONLY OBSTACLE TO TRADE REVIVAL

American Exchange National Bank Says General Situation Is Well in Hand

"Shoring-up operations were in evidence during November, and considerable progress in strengthening weak spots appears to have been made. These operations are a usual feature of readjustment and their successful completion almost always ushers in the first stages of recovery. Additional readjustments along this line are doubtless to be expected. However, the situation is well in hand, and these will be carried out with a minimum of anxiety. Merchandise price reductions were continued and satisfactory response from the public was reported in numerous instances.

"It is evident, however, that the purchasing power of the public is dwindling rapidly, and that it will continue to do so unless those who persist in holding goods for a recovery can be persuaded to liquidate. But for the refusal of these interests to take their losses, it would now be possible to forecast an early revival of industry."

Railroads

Bonds and Stocks

Bangor & Aroostook
Central New England
Boston & Maine

Maine Central
New York, New Haven & Hartford
Central Vermont

The Plight of the New England Roads

Impossible to Render a Quasi-Terminal Service on the Basis of Mileage Rates—Troubles Are Fundamental

By CHARLES REMINGTON

THE New England railroads, especially since the reorganization of the Boston & Maine, have the strongest financial structures of any group in the United States. Physical valuations, conducted by the Interstate Commerce Commission, have progressed farther in this region than elsewhere,, but they have been carried far enough elsewhere to prove that the greatest excess of values over capital liabilities will be found in the New England region. In no other group is the ratio of debt to asset value so low. In addition to this element of strength, these roads operate in the most highly developed part of the country.

Taking the other extreme, which is the Rocky Mountain and Pacific region, the valuations have progressed far enough to indicate that the roads in that territory will make the worst showing with respect to their property accounts, due mainly to high construction costs in early days. These roads traverse the least developed part of the country. There are many places along the lines of the Southern Pacific, Atchison and Western Pacific, where a wanderer could stray from the track and walk fifty miles without meeting a jackrabbit.

Yet, operations under the new rates have gone far enough to show that the New England roads, which received a 40% increase in freight tariffs, will obtain the poorest net results of any group in the country, while the Pacific roads, except in the northwest, which is oversupplied with facilities, will make the best showing on a 25% increase.

This situation grows out of the fact that the general principle of rate-making has been applied too arbitrarily, as is usual when an effort is made to shape economic tendencies by means of legislative devices. There are many exceptions to the rule, but the general principle that various classes and commodities shall carry rates based on the number of miles transported obtains.

One of the exceptions recognized is the class of carriers known as terminal and switching companies. The property of these corporations is situated within the limits of large cities and their land investments are correspondingly high. The service rendered by such companies has no more relationship to miles hauled than the service rendered by a warehouse company. The Interstate Commerce Commission has recognized the special nature of this service and has provided a special compensation, which has no relationship to miles.

Position of New England Roads

It is not possible to assign any railroad an arbitrary position, because they naturally fall into different positions somewhere between a recognized terminal company and such a system as the Sunset Lines of the Southern Pacific. The New England roads, with their high land values and origination and distribution of freight involving mainly short hauls, are giving a service somewhat like that furnished by the recognized terminal companies.

TABLE I—SEPTEMBER INCOME OF NEW ENGLAND ROADS

Road	Deficit	Income
Bangor & Aroostook	....	$185,745
Central Vermont	....	84,382
Maine Central	....	140,736
N. Y., N. H. & H.	....	573,230
Rutland	....	121,690
Boston & Maine	$129,882	
Central New England	31,372	
Totals	$161,254	$1,105,783
		161,254
Net income of group		$944,529

TABLE II—PRELIMINARY VALUATION OF NEW ENGLAND ROADS

Road	Cost of Road Plus Land (Before depreciation)	Company's Book Accounts	Excess or Deficiency
Bangor & Aroostook	$25,400,430	$23,363,164	$2,037,266
Boston & Maine System	276,528,128	195,903,526	80,624,602
Central New England	17,394,774	22,342,396	4,947,622
Maine Central System	67,139,946	54,983,162	12,156,784
N. Y., N. H. & H. System	436,514,035	281,303,972	155,210,063
Totals	$822,977,313	$577,896,220	
Net excess of five systems			$245,081,093

As a measure of relief, the Interstate Commerce Commission has been asked to authorize a redivision of the through rates between the New England roads and the trunk lines. Some such action will probably be taken because the Commission is already on record as favoring this arrangement, but there are two objections to the measure.

Even such a redivision as is sought will not be fully compensatory under the Transportation Act, although it will probably save the New England roads from receivership. Moreover, the New York Central and Pennsylvania systems, being in a plight similar to but easier than the New England roads, can ill afford to surrender any part of their revenues. Railroad operating conditions in New York and Pennsylvania are not much better than in the New England States, and the only reason the two big trunk lines have done better is because a large part of their operations have been conducted in states to the west.

The situation is this: There is a given revenue for the Eastern Region and it is inadequate. If more be given to the New England district, less will remain for the Central district. While this expedient may save the bondholders of roads in the New England district, it is likely to prove a hardship for stockholders of roads in the Central district.

Claims of New England Roads

The complaint, a hearing of which is now in progress, is made by the Bangor & Aroostook, Boston & Maine, Maine Central, Central Vermont, Central New England, Rutland and New York, New Haven & Hartford. All the rest of the roads in the country, together with two in Canada operating subsidiaries in New England, are named as defendants.

The roads assert that they are entitled to a net operating income of $50,296,485, which is equal to 6% on their aggregate investment of $838,274,759. Against this net, they estimate that they will earn during the year to end August 31, 1921, under $14,000,000, about $36,000,000 less than 6% on the value of their property and $18,000,000 less than the sum necessary to meet their fixed charges.

The New England roads further assert

that the Commission's decision allowing the roads of the Eastern region a 40% increase in rates will give these roads $25,000,000 income in excess of the amount they would have received if the New England roads had not been included, due to the large investments of the latter.

The results of September shown in Table 1 indicate that the estimate of $14,000,000 made by the New England roads was not unreasonably low. Omitting the two roads that reported a deficit, the five reporting an income aggregated $1,105,783 for the month. As September represents about 10% of the traffic year, this would be at the annual rate of about $11,000,000, without making any deductions on account of Boston & Maine and Central New England. The indicated $11,000,000 would be $21,000,000 less than the charges of the seven roads.

When the results of September were first issued a good many railroad men announced that the figures didn't mean anything. This was hardly true. The figures certainly could not be accepted at their face value, because they did not fully reflect the rate increases, but a study of the detailed statements shows that transportation expenses ran much higher than was estimated when the rate increases were granted.

The October statements will be better, but with the traffic decline that started late in that month, statements for subsequent months are not likely to be good until the volume of traffic has commenced to gain. This is due to the fact that expenses cannot be cut as rapidly as revenue falls with declining business.

The outlook is unhappy enough at least to assume that the estimate of the New England roads themselves was not unreasonable.

Performances of Individuals

In comparing September results with standard return, it should be remembered that the latter figure in every instance failed to give the New England roads reasonable returns on their investments. Of all the group, Bangor & Aroostook made the best showing. Its September net is at the annual rate of about $1,850,000, compared with standard return of $1,555,775.

Boston & Maine reported an operating deficit compared with an annual rental of $9,832,491. Even this was inadequate to cover charges under the old form of organization, and a continuance of anything like September results would soon lead to receivership.

Central Vermont's net of $84,382 was approximately at the rate of standard return, which, however, was a slight return on the property in use.

Maine Central's net was at the annual rate of about $1,400,000, compared with rental of $2,955,697. Soon after the results were known, the directors passed the preferred dividend, which had been paid regularly since the issuance of the stock. The dividend on the common will undoubtedly be passed in December, for the first time since the organization of the company.

New Haven's results indicate an annual net of about $5,700,000, compared with rental of $17,173,367. On the basis of September, the road would not earn half its charges.

Rutland Railroad's net of $121,690 was at the annual rate of about $1,200,000, or a little better than the rental of $1,023,883 received from the Government.

Value of Property in Use

Of the seven roads under consideration, five have received their preliminary valuations from the Commerce Commission, and they show larger excesses over the company property accounts than for any other district. The figures as presented by Thomas W. Hulme at the rate hearing, with latter adjustments, are shown in Table II.

Following the publication of this testimony, additional data were compiled on New Haven, showing even a larger excess for the system. In the later figures, the valuation was fixed at $436,514,035, compared with a book account of $281,303,972, or an excess of $155,210,063.

It is estimated that a redivision of the through rates as sought by the New England roads would give them an additional $12,000,000 net operating income. While this might save them from receiverships, it would not go far toward providing them with an adequate return on their investments as shown in Table II. This may give a measure of comfort to bondholders but it is slight relief to stockholders.

If one is inclined to consider New England railroad stocks as speculations, it seems clear from the relationship between investments and past and future earnings that the troubles of these roads are too fundamental to be relieved by means of such as have been suggested.

As roads engaged in originating and distributing freight, the man-hours of the New England companies are excessively high in proportion to the ton-miles. It follows that roads in such a position will suffer most from high wages and profit most from low wages. Theoretically, the situation can be corrected by increasing rates; practically, rates will reach a level where they, by depressing traffic, will do more harm than good. With the center of consumption constantly moving westward, it is a question whether New England territory can stand higher rates than those in effect.

Obviously, there is but one line of attack for the New England roads and that is in the direction of expenses. Some saving can be effected as commodities, and especially fuel, fall in price, but any attempt to diminish the biggest item of expense—wages—can hardly bring immediate results.

Formerly, only the tariffs were under public control; now both tariffs and wages are subject to regulation by political bodies. As has been seen from past experience, a transportation crisis was needed to obtain a rate increase. I am apprehensive lest another crisis will be needed to effect a wage decrease, and stocks fare badly in a crisis.—Boston & Maine, vol. 27, p. 91; Maine Central, vol. 24, p. 662; N. Y., N. H. & Hartford, vol. 27, p. 20.

When Rail Equipment Buying Will Start in

INVESTORS have for months been wondering ever since the recent new railroad legislation was enacted when new equipment buying by the companies affected would start in. In a speech before the Merchants' Association, chairman Kruttschnitt of the Southern Pacific Co. answered the question very frankly. In part Mr. Kruttschnitt said: "It is asserted that the greater movement and heavier loading of freight cars over the corresponding results for 1919 have constructively added 750,000 cars to the equipment of the carriers, or about 30%. At present prices it would cost $2,500,000,000 to build 750,000 cars; and it would require 6,000 miles of yard and sidetracks, costing $200,000,000, on which to stand them. The annual interest and maintenance cost would be:

Interest at 6% on cost of cars	$150,000,000
Interest at 6% on cost of tracks	12,000,000
Depreciation at 4% on cars	100,000,000
Maintenance of cars	170,000,000
Maintenance of track	8,000,000
	$440,000,000

or $1,220,000 per day, all of which you have escaped paying through making better use of existing equipment.

"To build new and improve existing lines called for an average annual expenditure of $660,000,000 during the ten years ending 1917. To accomplish the same results at the present inflated costs would require at least twice as much, or $1,320,000,000, the interest on which at 6% is $79,200,000 per annum.

"In conditions that have prevailed since the passage of the Transportation Act it has been impossible for the railroads to obtain any sums remotely approximating such vast amounts as normal increase in facilities called for, because the Act limits the return on property investment to 6%, above which a division of the excess must be made with the Government. We have seen instances of roads with high credit having to pay 7½% for money. To justify borrowing at this rate the railroad would have to obtain a return on the property acquired with the borrowed funds of 9% to enable it to add one-half the excess of 3% over the statutory 6% to the latter in order to bring it up to the 7½% rate it had to pay.

"This fully explains the stoppage of construction of new lines and the moderate expenditures made for the betterment of existing ones, and there is no prospect for relief until the rates for money fall to 6 per cent."

THE "MAKINGS" OF PAPER MONEY

The materials that go to make up our paper money are gathered together from all parts of the world. Part of the paper fibre is linen rag from the Orient. The silk comes from China or Italy. The blue ink is made from German or Canadian cobalt. The black ink is made from Niagara Falls acetylene gas smoke, and most of the green ink is green color mixed in white zinc sulphite made in Germany. The red color in the seal is obtained from a pigment imported from Central America.—*Bankers Monthly*.

Rail Earnings Improved in October

Companies Still Considerably Short, However, of Earning 6% on Their Investment—Where Future Income Must Come From

By **EDWARD GILMAN**

ENOUGH railroad reports for October are available at this time to indicate that the companies as a whole will do much better than in September, while still falling considerably short of earning 6% on their aggregate investment.

This statement makes due allowance for the fact that October is normally a better traffic month than September. In the test period, which was the three years ended June 30, 1917, the net operating income of the roads in September was $109,220,000, compared with $112,709,000 in October. In other words, September represented 10.113% of the traffic year, while October represented 10.436%. In September of this year the roads as a whole reported net operating income of less than $80,000,000. In October, judging from the returns already in, the roads will not only do better actually but also relatively.

Effect of Rate Increases Felt

In September the roads did not get the full effect of the rate increase, due to the fact that heavy shipments were made late in August and billed under the old rates. Generally speaking, the larger gross revenues in October reflect the changed conditions, but operating expenses are still absorbing an unduly large proportion of gross. The detailed figures for September show that a large part of the heavy costs was made up of transportation expenses, and the few statements issued in detailed form for October tell the same story.

Without going into the question whether the country faces a business depression which will not be relieved until Spring, it must be recognized that the next few months are the dullest for the railroads even in normal years.

After November, there is no month until May that represents in the traffic year as great a ratio as it represents in the calendar year. During the test period the traffic ratios of the next few months were as follows: November, 9.222%; December, 8.066%; January, 6.228%; February, 5.257%; March, 7.517%; April, 7.438%. Stated differently, the six months following October represent only 43.728% of the traffic year, compared with 50% of the calendar year.

With transportation expenses running unduly high, it is manifest that they will become more serious in months of low income ratios than they have been in months of higher ratios. Wages themselves cannot be reduced without consent of the Railway Labor Board. Coal, which is the chief commodity consumed by railroads, is usually purchased under contract as of April 1. There will be some gain in efficiency as unemployment increases, and there will be some saving through the decline in prices of commodities other than coal. Through these means and others expenses must be diminished during the next few months in order to restore income to a level where it will represent a fair return on the investment.

The New England Roads

With one exception, the New England roads reporting thus far made an unfavorable showing in October. **Bangor & Aroostook** reported net operating income of $206,329 in October, compared with $185,745 in September. The two months are at the annual rate of about $1,900,000, compared with rental of $1,555,775.

Without much increase in gross, **Maine Central** made a better net showing in October than in September. Income was $196,539, compared with $140,736. This would be at the annual rate of $1,650,000, compared with Federal rental of $2,955,697. **Boston & Maine** showed a decrease in gross revenue and an increase in net operating deficit. In September the deficit was $129,882, compared with $568,627 in October. It is clear that such operating results cannot long continue if the company is to remain solvent.

Practically all **New Haven's** revenue continues to be absorbed by expenses and taxes. Out of $12,426,629 gross in September, the company saved $573,230 for net, and out of $12,407,605 gross in October, only $140,747 for net. The result for the two months represents only a fraction of charges.

The fact that the New England roads reported for October gross revenues so little above September indicates a considerable falling off in tonnage, because a good deal of the business for which collections were made in September was billed at the old rates.

The Anthracite Roads

Four of the anthracite roads have reported and they make widely divergent showings. While Lackawanna made some improvement and Philadelphia & Reading great improvement, both Jersey Central and Delaware & Hudson fell off precipitously. Philadelphia & Reading was the only one to show much gain in gross, while Delaware & Hudson reported a big loss. As there was an anthracite strike in September, which may have affected one road more than another, the results of that month were not very trustworthy for purposes of forecast.

Delaware, Lackawanna & Western reported gross for October of $8,836,825, compared with $6,401,622 in October, 1919. The increase is near enough 40% to reflect fully the rate increase. Net for the month was $1,182,275 and for the two months $2,165,275. The two months' results were at the annual rate of $10,500,000, compared with Federal rental of $15,749,477, or at the rate of about $10 a share on the $50 stock.

Other Hard Coal Roads

Philadelphia & Reading, which had only $8,512,293 gross in September, reported $10,583,897 in October. As compared with October, 1919, this is a gain of nearly 50%. Net operating income in October was $2,341,080, compared with $722,807 in September. Compared with October, last year, the increase was more than 100%. The company's rental was $17,057,230, while the results of the two months was at the annual rate of about $15,000,000, with October much above rental and September much below.

Delaware & Hudson, which seems to have been the only anthracite carrier that did not suffer severely from the strike, fell off badly in October. Compared with $5,030,160 gross in September, the company reported only $4,219,250 in October. On the other hand, October compares favorably with the same month last year, when the company had a gross of only $3,354,154.

Out of October gross, Delaware & Hudson saved only $343,244 for net, compared with $1,139,175 in the preceding month. The two months' results were at the annual rate of about $7,150,000, compared with rental of $7,415,149, or about $10.50 a share on the stock.

Jersey Central reported gross of $5,650,966 in October, a slight gain over September, but net dropped from $738,009 in September to $365,750 in October. The two months were at the annual rate of $5,400,000, compared with $9,352,300 rental, or at the rate of about $5.50 a share on the stock.

New York Central's October gross was $38,219,522, compared with $29,205,872. This gain fairly well reflects the rate increase, but October net was only $5,562,022, compared with $5,500,515 in October, 1919. In other words, a gain of about $9,000,000 in gross resulted in practically no increase in net. The month was better than September, however, and the result of the two months would be at the annual rate of about $50,000,000, compared with rental of $57,690,588, or about $6 a share on the stock.

Although they operate in highly industrialized territory, Central's two most important subsidiaries—Michigan Central and Big Four—continued through October to make excellent showings. Big Four's net for the two months was $2,652,763. This is at the annual rate of about $13,000,000, compared with rental of $9,938,597, or about $14 a share on the common stock. Michigan Central's net for the same period was at the annual rate of $16,500,000, compared with rental of $8,052,127.

Soft Coal Roads

All the soft coal roads reporting thus far did reasonably well in October, probably due to the fact that the movement of coal throughout the country has been heavier than in most other commodities. **Baltimore & Ohio's** net was $2,881,282, and for the two months $5,782,272. This would be at the annual

(Continued on page 174)

Railroad Holdings of Railroad Stocks

Reputed Judgment of "Insiders" Not Borne Out by Review of These Investments—Atlantic Coast Line's Excellent Deal

By **DANA HYDE**

THE trading and investing public usually holds in high esteem the opinion and the position of the insider. A rumor that the Rockefellers are buying into a certain oil or that Morgan or Kuhn, Loeb are buying into a certain rail has always resulted in running up the price of the security in question. It must be conceded that the Rockefellers have not gone far astray in the oils, but it is impossible to pick any group of financiers that has approached infallibility in the rails.

Indeed, a study of the railroad holdings of railroad companies indicates that insiders, like outsiders, have been right about half the time and wrong the other half. This statement necessarily makes allowance for additional value imparted to weak properties through traffic alliances with stronger companies and for reinvestment of surplus earnings over many years; but at the time the purchases were made the holding companies did not always get bargains. The tendency of badly financed railroads, when independent, is to pay dividends as long as possible. When such properties, however, fall into the control of other railroads, the tendency is to withhold dividends as long as possible. This policy makes some acquisitions appear like bargains today, although they were far from such at the time the stocks were purchased.

If the average reader of THE MAGAZINE OF WALL STREET reviewed his railroad holdings, he might easily find himself better off at the present market, than the average railroad holding company.

Among the most valuable of such holdings, although it shows a loss at the market, is the Louisville & Nashville stock owned by Atlantic Coast Line. The 367,200 shares of Louisville & Nashville stock are pledged to secure $35,000,000 collateral trust 4% bonds, or at the rate of about $95 a share for the collateral. On the other hand, the stock is carried on the Books of Atlantic Coast Line at $51,368,000, or about $140 a share. This is approximately $35 a share above the present market price of Louisville & Nashville, which, however, should again sell at the book value in a good rail market.

SOUTHERN RAILWAY'S HOLDINGS

Southern Railway's holdings of railroad stocks have generally proven profitable, partly due to the great development of the South in the last few years. These include many stocks and bonds of companies merged for operating purposes with the parent concern, but I shall mention here only the stocks of controlled but separately operated companies.

Southern Railway owns $1,725,000 out of $3,380,350 preferred and $4,540,050 out of $7,830,000 common of Alabama Great Southern. Both stocks pay 6% regularly with irregular extras. Alabama Great Southern, in turn, controls Cincinnati, New Orleans & Texas Pacific, a part of the exceedingly profitable "Queen & Crescent Route," through an intermediate holding company.

Of the $7,730,000 stock of Mobile & Ohio, Southern Railway owns $5,670,200, against which it has issued, par for par, its own stock trust certificates on which 4% is paid. Up to the present time this investment has not proven so profitable as some others, but neither has it had so long a time in which to work out to the profit of the purchaser.

In November, 1916, J. P. Morgan & Company bought for the account of the Southern Railway from an English holding company $5,336,300 common stock, $5,595,000 general 4½s and $1,500,000 income 4½s of the New Orleans & Northeastern. The price of these securities has not been made public, but as they were purchased during a period of great strain in British finance it may be assumed that the cost to Southern Railway was moderate. As the road itself has always been a large earner, the deal eventually should show a good profit for the purchaser.

Southern Railway and Louisville & Nashville jointly own $13,680,300 preferred and common stock out of a total of $15,500,000 of the Chicago, Indianapolis & Louisville. Against this stock, the proprietary companies have issued $11,827,000 of their joint 4% bonds. As the common stock cost the buyers $78 a share and the preferred $90, while the preferred is paying 4% and the common nothing, the transaction has not proven profitable except for the traffic gained.

NEW YORK CENTRAL'S HOLDINGS

New York Central's holdings of railroad stocks are numerous, but most of them are issues of companies operated jointly with the parent road. The most important of the others are $30,207,700 Cleveland, Cincinnati, Chicago & St. Louis common out of a total of $47,056,300; $16,819,300 out of a total of $18,738,000 Michigan Central; and about 50% each of $11,840,000 Lake Erie & Western common and preferred. Central also owns the entire capital stock of Pittsburgh & Lake Erie.

Except for the traffic derived, none of these investments has proven directly profitable. The Big Four common, which is paying no dividends, was purchased around $90 a share, and the others were bought above the present market. On the other hand, large surpluses from earnings have gone back into the properties, whose assets stand much higher than when Central bought in.

The best investment for profit made by New York Central was in Reading stocks. Of these issues, Central owns $9,852,500 common, $6,065,000 first preferred and $14,265,000 second preferred, while Baltimore & Ohio owns about the same amount in each class. These Reading stocks cost Central & Baltimore & Ohio about $22,000,000 each, while each has a profit at the market of about $25,000,000 on the transaction.

Another investment that has turned out well was Reading's purchase of $14,504,000 Jersey Central stock out of a total of $27,436,800. The purchase price of the stock was $23,200,000, or less than $160 a share, and the stock is pledged to secure $23,000,000 collateral trust bonds. The pending dissolution will soon disclose the value of Jersey Central stock, which is certainly not less than $300 a share and is probably more. On this purchase Reading has a good chance of showing 100% profit.

Most railroads do not hold large investments outside affiliated companies, but Union Pacific is an exception to the rule. Among the most important outside investments in stocks are $3,594,035 Baltimore & Ohio common and $1,805,992 preferred, $10,343,100 Chicago & Alton preferred, $4,420,600 Chicago & Northwestern common, $1,845,000 Chicago, Milwaukee & St. Paul preferred, $22,500,000 Illinois Central stock and $21,000,000 New York Central stock. The major part of this investment is not likely to show an ultimate loss, although it is difficult to see much hope of reclamation in the Alton preferred, while the St. Paul preferred will be some time in working out. But whatever its losses, they can never offset the profits made on the investment in Southern Pacific and in the stocks distributed in lieu of the former holdings of Northern Securities.

The largest single investment is the joint holding of Great Northern and Northern Pacific in Chicago, Burlington & Quincy, amounting to $107,613,500 par value and having a collateral value of $215,227,000. Both directly and indirectly, this investment has proven profitable, and the only unfortunate thing in connection therewith is the rate at which the joint 4% bonds, secured by the stock, will have to be refunded next Summer. Unless there is an unexpected improvement in the credit situation this operation will entail an additional charge of about $4,000,000 annually on one or all three of these companies.

The foregoing are some of the better investments of railroads in railroads. To assemble the other kind one would have to go into the history of companies long since reorganized. The lost subsidiaries of Rock Island, Missouri Pacific and St. Louis-San Francisco represent only a few of the bad investments written off.—So. R'way, vol. 27, p. 21; N. Y. Central, vol. 27, p. 20.

BIG R.R. REVENUE FROM AUTOS

Railroads get a big revenue from the automobile industry, according to an estimate made by the National Automobile Chamber of Commerce. It is calculated that freight bills on the finished product alone exceed $100,000,000 annually; that 500,000 freight cars are needed in a year to carry automobiles, trucks and finished parts; and that 570,730 machines have been delivered over highways in the last 21 months—business for an additional 170,000 cars, if the cars could have been found. —*Railway Age.*

Industrials

Bonds and Stocks

U. S. Industrial Alcohol Co.

The Immense Scope of the Alcohol Industry

Commercial Development Possible in Many Lines—U. S. Industrial Alcohol Co. One of Largest Producers in the World

By E. KILBURN SCOTT

FOR some years the most important use of alcohol has been for industrial purposes, and during the war period the largest use was for making explosives and poison gases. When the Eighteenth Amendment was being discussed, Congress was very solicitous about the industrial uses of alcohol, as is shown by the title of the act, which reads:

"An Act to prohibit intoxicating beverages, and to regulate the manufacture, production, use and sale of high-proof spirits for other than beverage purposes and to insure an ample supply of alcohol and promote its use in scientific research, and in the development of fuel, dye and other lawful industries."

When alcohol is used for beverages, food or for drug purposes, it must be pure, but when used for industrial purposes it is "denatured," that is to say, it is mixed with certain compounds which make it unpalatable or actually poisonous. Denatured alcohol was first allowed to be tax free by an act passed in 1906.

The Internal Revenue Department has four formulas for *completely* denaturing alcohol. There are about thirty other formulas which denature alcohol so that it can be used for special manufacturing purposes, and as far as possible the compound used for denaturing is something which will be useful in the process. For example, if alcohol is to be used for making ether, it is denatured with ether, and if it is required to make tincture of iodine, it is denatured with iodine. For artificial silk manufacture, tetrachlorethane, added to denature the alcohol, is also useful in the process. Under the new regulations a manufacturer who uses large quantities of specially denatured alcohol can by filing a bond for $100,000 have all the alcohol that he may require. Under the old regulations there were delays in sending withdrawal permits from place to place, and also delays in renewing withdrawal permits, and these constituted a serious handicap on continuity of plant operation.

To give an example of how the regulations have been modified, it may be mentioned that formerly the law fixed 72 hours as the minimum time in which a molasses fermenter could be filled. As the actual working period was less than 36 hours, it meant that fermenters were empty half of the time. During the war this restriction was removed, with the result that the fermenting capacity of a plant was doubled.

Ethyl and Methyl Alcohol

There are two principal forms of alcohol, known as Ethyl Alcohol, made from molasses, grain, etc., and Methyl Alcohol, made from wood. Ethyl alcohol is the most important, and this article deals principally with that form, but it will be well to say a few words about the Methyl product.

Methyl alcohol is produced by the destructive distillation of wood. Its principal use is in the manufacture of dyes—and the rapid growth of the dyeing industry has brought it into such great demand that since the beginning of the war the price has nearly doubled. Another reason for the increase in demand is the much stricter regulations surrounding the manufacture, distribution and use of Ethyl alcohol. Where possible, Methyl has been substituted.

TABLE I.—U. S. ALCOHOL PRODUCTION.
(In Gallons.)

States and Territories	1918	1917
California	14,028,646	17,651,482
Connecticut	26,451	182,055
District of Columbia	749,517	605,812
Hawaii	3,935	14,016
Illinois	49,680,080	79,320,617
Indiana	15,830,930	43,361,276
Kentucky	12,606,437	36,441,778
Louisiana	24,406,589	26,545,832
Maryland	26,746,386	24,965,321
Massachusetts	10,873,875	12,511,236
Michigan	752,745	819,906
Missouri	79,527	289,661
Montana	186,248	244,773
Nebraska	....	2,938,594
New Jersey	51	54,494
New Mexico	....	315
New York	10,544,901	13,856,054
Ohio	3,314,103	10,114,573
Pennsylvania	7,298,914	12,190,764
Rhode Island	2,845	224
South Carolina	943,568	1,159,369
Texas	7,281	13,905
Virginia	....	122,957
Wisconsin	759,294	2,527,249
Wyoming	26	260
Total	178,833,799	286,085,464

Ethyl alcohol can be made from many raw materials. In Germany, potatoes were chiefly used, as shown in Figure 1, because during the period 1892 to 1912 potatoes were cheap in that country, and the saccharine material obtained therefrom on a per pound basis low as compared with grains. Ethyl alcohol produced in France from 1908 to 1916 was principally made from sugar beets, with grains a close second.

In the United States, many materials have been used to make Ethyl alcohol. Corn and corn wastes are convenient and easily handled, and for many years maize was a chief source. Some alcohol is made from waste sulphite liquor in localities where it is obtainable in quantity. During the last two years a little alcohol has been produced from grains. But that has only been feasible when a crop had been damaged. The chief source of industrial alcohol in the United States is cane molasses, or "black strap" molasses.

Tank steamers bring the thick, viscous molasses to the plants, and it is pumped out of the vessels by means of powerful steam pumps, which force it through pipes to a storage tank at the factory. It is diluted with water and sterilized with steam, and then run into large tanks kept at a certain temperature whilst being inoculated with special yeasts. In a few hours fermentation begins, and the sugar is split by the yeast enzymes into alcohol and carbonic acid gas, which gas is collected and sold to soda water makers. The mash or beer as it is now called is run into stills and the alcohol distilled off, and after purification it is ready for sale. The residue from the still is made into by-products, fertilizers containing potash and ammonia. Millions of tons of molasses are available annually in Cuba and Porto Rico. The molasses is gathered from the mills in barges, lighters, tank cars and barrels and taken to large storage tanks located at shipping ports. Tank steamers, such as those used for the transportation of petroleum, then carry the molasses to industrial alcohol plants in Boston, Baltimore and New Orleans. Molasses is also obtained from the cane sugar refineries located in the southern and southeastern parts of the United States.

TABLE II.—U. S. INDUSTRIAL ALCOHOL CO.
Plant Output in 1918.

Wood Product Co.	5,431,475	gals. of wood alcohol
Cuba Distilling Co.	88,894,734	" of molasses
Porto Rico Mercantile Co.	4,264,003	" " "
Curtis Bay Plant	6,379,703	lbs. of acetone
Central Division	2,529,696	gals. of ethyl alcohol
Columbus Plant, Brooklyn	7,789,592	" " " "
Curtis Bay Plant	24,075,891	" " " "
International Plant, New Orleans	8,144,498	" " " "
Louisiana Plant, New Orleans	6,502,903	" " " "
Peoria Plant, Illinois	3,162,314	" " " "
Purity Plant, Cambridge, Mass.	7,332,550	" " " "

Table 1 gives the quantities of alcohol made in the various States of the Union for years 1917 and 1918. Fig. 3 is of special interest because it gives the production of completely denatured alcohol and of specially denatured alcohol during the years 1908 to 1918.

Firms Engaged in the Business

The bulk of the industrial alcohol business in the United States is divided between the U. S. Industrial Alcohol Company and the U. S. Food Products Company. In California two small firms supply the Western market, and there are several independents, namely: The Jefferson plant in New Orleans, the American plant in Pekin, Illinois, and the Craigin plant in Chicago.

The U. S. Food Products Corporation was first incorporated in 1902 as the Distillers Securities Corporation, and it held the stocks of seven other companies engaged in the manufacture and distribution of spirits and alcohol for beverages. With the advent of prohibition, the company began to concentrate on the manufacture of industrial alcohol and also to extend its operations to cereal foods, feed stuffs. oil, yeast, vinegar, etc., and the various by-products connected with these commodities.

In May 1920, the outstanding stock was $30,774,200 of par value $100, and the funded debt was $5,811,855. The reported earnings for the year 1919 were $9.91 per share and dividends of 6% are being paid.

The company is still in a transitional stage, having recently started up many new factories, and last year purchased the entire capital stock of the following concerns: Sugar Products Co. and Pure Cane Molasses Co., of U. S. A.; the Pure Cane Molasses Co. of Canada, the Pure Cane Molasses Co. of Great Britain, and the Tres Co., Ltd., of Great Britain.

Uses of Alcohol

The diagram on page 168 indicates a few of the main uses for alcohol. It would be impossible to show them all. The highly refined forms of alcohol made from Ethyl alcohol are *Propyl alcohol,* which is used as a perfumery base to carry delicate odorous essential oils; *Isobutyl alcohol,* a raw material used in making artificial musk, which is the basis of thousands of perfumes, and *Amyl alcohol,* which is used for the manufacture of banana oil.

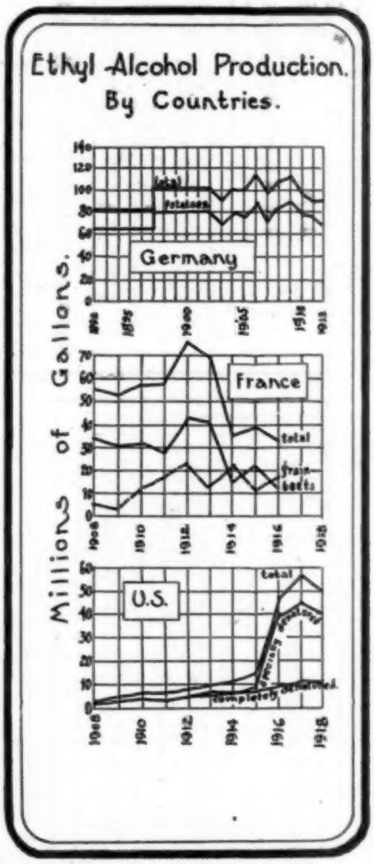
Alcohol is in demand as a solvent for dyes, for nitrocellulose, gums and resins, soaps, essential oils, oils and waxes, and it is used in the manufacture of paints, varnishes, lacquers and perfumes. Photographers require it as a dehydrating agent in making photo prints and negatives.

It is an absolute necessity in hospitals as an ablution and antiseptic, and is used as a preservative for specimens and for medicines. It is used in the preparation of tinctures and drugs, and is second only to water in its general usefulness in the laboratories. It is used to manufacture Esters, which are employed as solvents for Collodions to form the basis of artificial leathers.

Alcohol lowers the freezing point of water, and so serves as a non-freezing agent in automobile radiators, and as it is not corrosive it does not attack rubber. One gallon of alcohol burned under a Welsbach mantle gives 3½ times as much light, measured in candlepower hours, as one gallon of kerosene burned in a good kerosene lamp.

Solidified alcohol is one of the important uses of alcohol, for it burns with a smokeless flame and does not carbonize like kerosene. Electricity is its only rival for chafing dishes, coffee percolators and such articles, and in places where electricity is not available solidified alcohol is a very important fuel. It is used extensively on vacation trips, for cooking on railway trains, etc.

Ethylene is an excellent substitute for acetylene for cutting metals and for welding. It can be so compressed into steel cylinders that the cost for shipment is cut in half. The weight of ethylene per 100 cu. ft., including the container, is only 40 lbs., as compared to 90 lbs. for acetylene.



Purification of turpentine is one of the newer developments of the utilization of alcohol. The present method of heating and making the crude turpentine results in rosin, of which only a small part is of good color. It has been found that the crude gum-turpentine is readily soluble in high proof denatured alcohol, and it is thus possible to remove foreign matter, wood, twigs, insects, etc., which are responsible for the coloring.

Power Alcohol

Fuel alcohol will be much used in the future for internal combustion engines. In Germany, where the supply of petroleum products was inadequate and where alcohol was a relatively cheap commodity, large quantities have been used for automotive and power purposes. France also has used alcohol extensively for automotive engines.

Since the Act of 1906, word pictures have been drawn of farmers using waste fruit, etc., to make alcohol as a source of power. Petroleum supplies of this country have, however, been so abundant and reasonable in price that farmers bought gasoline to operate their automobiles and small engines. Conditions are, however, changing rapidly, and the Geological Survey says that in about three years the peak of petroleum production will be reached and afterwards there will be a gradual decline. The increase in the number of automobiles, trucks, tractors and airplanes during the last five years has been remarkable, and if the increase from now on is only a small percentage of what it has been, a new supply of explosion engine fuel will be necessary.

Of course, as it is a manufactured product, alcohol is relatively expensive, and the output in any case can only be a small percentage of all the fuel, but every little helps the situation. It has certain advantages over gasoline when used in automotive engines—greater mileage, no pre-ignition, no knocking, more uniform application of power during power stroke of the piston, more power and power more completely under control.

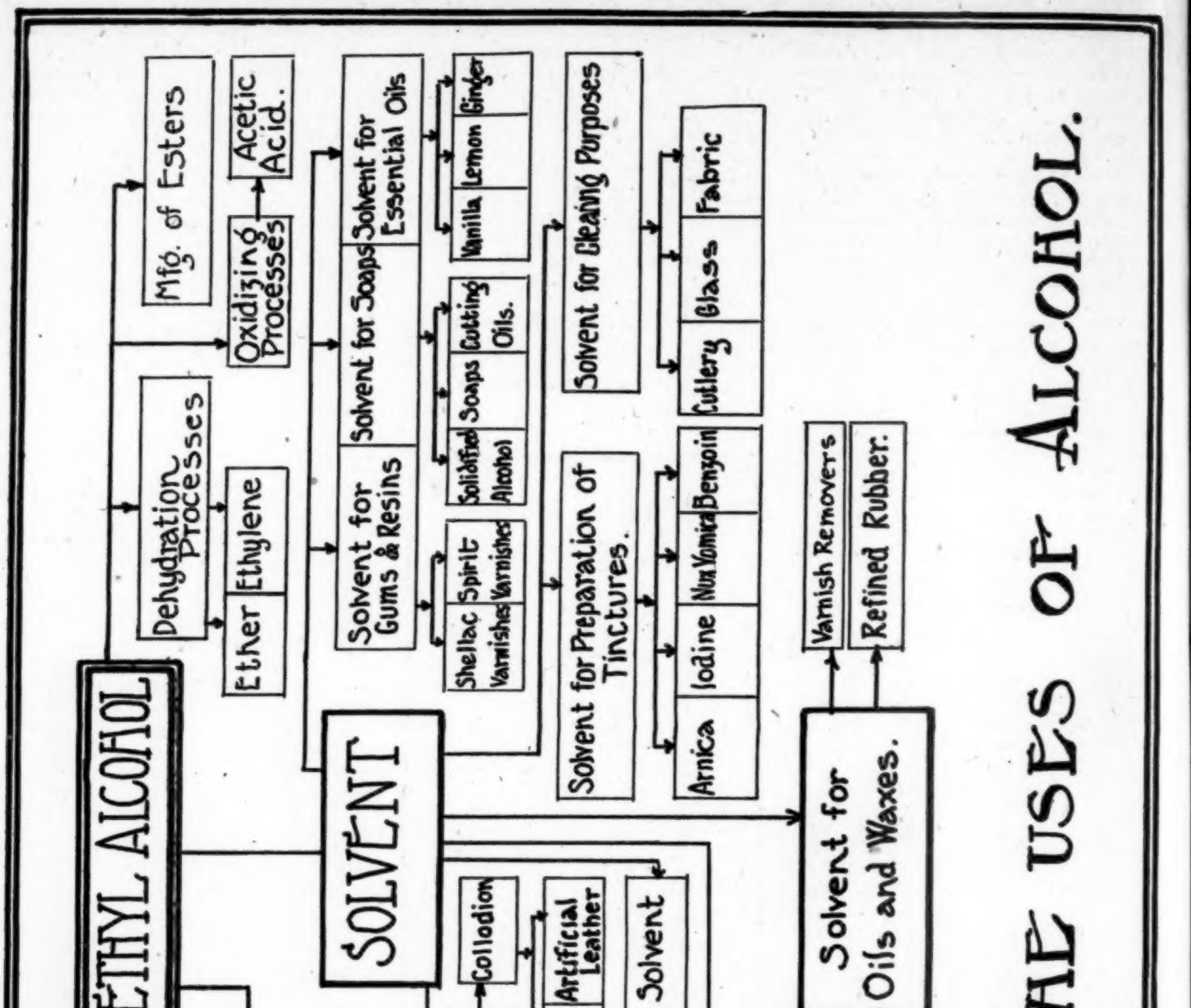
U. S. Industrial Alcohol Company

The U. S. Industrial Alcohol Company was started soon after the act of 1906, and it has steadily developed into one of the largest manufacturers of alcohol in the world. Besides being an operating company, it holds stock in the Ansonia Copper Iron Works (Cincinnati), stock outstanding $100,000; Curtis Bay Copper & Iron Works, Inc. (South Baltimore), $400,000; U. S. Industrial Chemical Co., Inc. (South Baltimore), 1st pfd. $35,000, common 120,000 shares, no par; A. L. Webb & Sons, Inc., $250,000; James A. Webb & Sons, Inc. $250,000; Wood Products Co. (Buffalo), $1,600,000; Pennsylvania Alcohol & Chemical Co. (Philadelphia), $100,000. It also holds all the common stock, $12,325,000, and $35,000 of the preferred stock of the Cuba Distilling Company, and this latter also owns all the Porto Rico Mercantile Company, which has $1,500,000 issued in shares of $100 par value.

The Cuba Distilling Company has four oceangoing vessels specially built to carry molasses; one of 1,350,000 gallons capacity and three of 1,700,000 gallons capacity, as well as coastwise vessels and numerous small barges. The Porto Rico Mercantile Company has two small vessels, each to carry above 50,000 gallons of molasses.

Table II gives the outputs of various plants owned by the U. S. Industrial Alcohol Company, and shows the immense scope of the business. Generally speaking, the figures in this table are comparable with the outputs of 1915 and 1916, but are less than 1917, because of abnormal war demands for alcohol in that year for explosives, poison gas, etc.

The U. S. Industrial Alcohol Company has paid 7% on its preferred stock since


SOME OF THE USES OF ALCOHOL.
ETHYL ALCOHOL
Heat
light
Power
Hospital
laboratory
Miscellaneous
Precipitating agent
Carbon Remover
Curing Tobacco
Non-Freezing sol.
Preservative.
Dehydration Processes
Ether
Ethylene
Oxidizing Processes
Acetic Acid.
Mfg. of Esters
SOLVENT
Solvent for Gums & Resins
Solvent for Soaps
Solvent for Essential Oils
Shellac Varnishes
Spirit Varnishes
Solidified Alcohol
Soaps
Cutting Oils.
Vanilla
Lemon
Ginger
Solvent for Preparation of Tinctures.
Arnica
Iodine
Nux Vomica
Benzoin
Solvent for Cleaning Purposes
Cutlery
Glass
Fabric
Solvent for Oils and Waxes.
Varnish Removers
Refined Rubber.
Shoe Polishes
Celery Oil.
Solvent for Nitrocellulose
Collodion
Gas Mantles
Artificial Silk.
Artificial Leather
Solvent for Dyes
Food Products
Water Colors
Confectionary
Diluent or Thinning Solvent
Aeroplane Dope
Lacquers & Enamel
Insect Powders
Germicides
Disinfectants
Inks
Soldering Flux

its organization; also dividends of 16% on the common stock in 1917, and quarterly dividends of 4% for 1918 and up to September, 1919, when the shareholding was increased from $12,000,000 to $24,000,000. Since then the company has consistently paid quarterly dividends of 2%.

The annual report of U. S. Industrial Alcohol Company for the year ended December 31, 1919, showed a surplus of $2,963,421 after allowing charges and Federal taxes, equivalent after deduction of preferred dividends to $10.06 per share ($100 par value) earned on the $24,000,000 of common stock. In the preceding year, 1918, the surplus was $4,862,664. The cash at bank in December, 1919, was $3,352,214, as against $1,648,573 in 1918, and $2,270,016 in 1917.

The U. S. Alcohol Company maintains a special legal department in Washington, D. C., for the purpose of facilitating customers' permits and to assist in the proper interpretation of Government regulations, etc.

In 1919 the U. S. Industrial Alcohol Company perfected a special motor fuel, which it named alcogas, for internal combustion engines, but, owing to the great demand for alcohol for other purposes, the company has not pushed the sale of the motor fuel. A large special plant has, however, been built at Baltimore for this purpose, and as soon as the company gets ahead of the orders standing on their books it is intended to start up the factory.

This company made a great deal of money during the war and has expanded rapidly. So far the peace demand for its product has been satisfactory, but it has not had to stand the test of a period of depression. The plan is to turn to the production of alcogas if the demand for alcohol falls off; but, of course, alcogas would meet competition from gasoline, and in a period of depression the price of gasoline would very likely decline. On the whole, therefore, the production of alcogas must be counted as still in the experimental stage.—vol. 26, p. 397.

U. S. Food Products Corporation

An Old Company in a New Business

Complete Transformation of Old Distillers Corporation a Remarkable Achievement—Present Concern in Strong Position

By E. D. KING

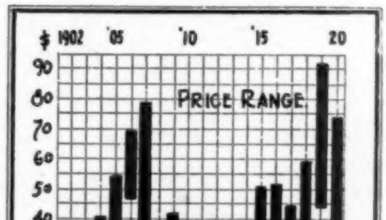
THE complete transformation of U. S. Food Products from a whiskey concern into one of the most important manufacturers of food products in the country within the period of a year, must be acknowledged a rare and impressive achievement. It generally takes years to build up a new business, especially when competition from long-established and experienced sources must be faced, as in the case of Food Products. The company, however, has solved its many problems in a successful manner and now stands a full-fledged and important member of this industry.

As a Whiskey Concern

The company was incorporated September, 1902, under the laws of New Jersey, as the Distillers Securities Corporation, which acquired the Distilling Company of America, organized in 1899. This company was the parent company of a number of others engaged in the manufacture and distribution of spirits and alcohol, including the American Spirits Manufacturing Co., Cuba Distilling Co., Hannis Distilling Co., Kentucky Distilling & Warehouse Co., Peoria Malting Co., H. H. Shufeldt & Co., and the Standard Distilling & Distributing Co.

Through the operations of these subsidiaries, the Distillers Securities Corporation became one of the most powerful factors in this country's whiskey business. Prosperity of the company steadily increased, and reached its apex during the war, when the imminence of prohibition accelerated the demand for whiskey and immensely increased the earnings of the company. An idea of the business done by Distillers Securities during this period can be gained from the fact that net earnings per share increased from 2.28% in 1914 to 31.13% in 1918.

Despite strenuous efforts to the contrary, the Prohibitionists accomplished what they started out to do a long time ago, and early in 1919 prohibition became a fact. With the country on a "dry" basis, Distillers Securities was faced with the alternative of going out of business altogether or entering a new line. The existing plants of the company were more or less ideally suited to the manufacture of industrial alcohol and similar products,



and the company decided that rather than close up shop it would take its chances in the new field. This step was ratified at a special meeting of the stockholders March 19, 1919, when it was decided to change the name of the company to the more fitting one of the U. S. Food Products Corporation. Amendments to the charter were also approved, permitting the company to launch itself directly into the food products manufacturing business.

Properties

When the company went into its new business it controlled over 100 plants devoted to its whiskey enterprise. These plants included distilleries, distributing houses, bonded or free warehouses and similar establishments, located in various large cities of the United States. A number of these plants were found unsuited to the new purposes of the company and these were disposed of by sale. Most of the others were retained, however, and converted into plants for the manufacture of food products.

By the process of absorption of other companies engaged in various departments of the food products industry, and by actually building and putting into operation new plants, the company gradually expanded all the departments of its activities. Among the companies acquired in 1919 were the Pure Cane Molasses Co. of U. S., the Pure Cane Molasses Co. of Canada, the British Molasses Co. of Great Britain, the Tres Company of Great Britain, the Trans-Oceanic Commercial Corporation and the Sugar Products Co.

The Sugar Products Co. has a large refinery at New Orleans, La., a fleet of 20 vessels and receiving tanks in Cuba, Porto Rico, Santo Domingo and other ports identified with the sugar trade. The Trans-Oceanic Commercial Corporation has 15 vessels and is affiliated with the American Lloyd Transport Co., which was organized in October, 1919, for the purpose of carrying on the West Indies trade of the parent company.

The company expanded its activities in the manufacture of industrial alcohol by acquiring the American Alcohol Co. plants at Westwego, Ky., through its subsidiary,

the Kentucky Distilling & Warehouse Co. In addition it has completed 7 new plants making industrial alcohol. These are located at Peoria, Ill.; Pekin, Ill., and Louisville, Ky.

A large plant for the production of syrups, malts, oils and animal feed was erected at Peoria, Ill. There are two vinegar plants located at Baltimore, Md., and Pekin, Ill., respectively. There are 7 yeast plants, all completed this year, and located at Baltimore, Md.; Pekin, Ill.; Boston, Mass.; St. Paul, Minn.; Denver, Colo.; Dallas, Texas, and Kansas City. Mo.

The Company's Business

The activities of the company may be separated into five distinct branches: (1) industrial alcohol; (2) syrups and molasses; (3) food products, such as cereals, jams, jellies, etc., and animal feed; (4) vinegar and yeast, and (5) shipping.

Of these departments the manufacture of industrial alcohol is by far the most profitable, although some of the other branches, like yeast-making, have excellent possibilities. Nevertheless, up to the present, the largest share of the company's business is derived from its industrial alcohol activities. It is not generally known that Food Products does an exceptionally large export business in industrial alcohol, probably one-third of the country's exports being manufactured and exported by this company. Its domestic business along these lines is rapidly expanding, and it has had to furnish large quantities of non-beverage and denatured alcohol for industrial uses.

The company's yeast business is necessarily slow in developing on account of the fact that the yeast-making plants have been only recently put into operation. Tangible results from this source should make a fair showing within a reasonable period.

The extent of the syrup and molasses business has far exceeded expectations. By acquiring the various molasses companies mentioned previously, Food Products has completed its facilities for securing at first hand and at original costs molasses and other raw products which are indispensable items in the company's business. This assures a ready and permanent supply to the company.

The manufacture of jams and similar products has been carried on successfully, and sales are fully meeting the expectations of the management. The animal feed venture is an absolutely new one and it is difficult to tell what results will be achieved for some time.

The company's export trade is being carried on by its subsidiary, the Trans-Oceanic Commercial Corporation. This company has been doing a large and profitable business in general merchandise and in the various products of the parent company. On account of the present condition of the shipping industry, however, the immediate outlook for this enterprise is rather obscure. The American Lloyd Transport Co., another subsidiary, figures largely in the West Indian trade, carrying full cargoes of molasses of the Sugar Products Co., still another subsidiary, from Cuba and other West Indian points to the United States and Europe.

Earnings

It is useless to take into consideration the earnings of the company prior to 1919, as in that period its activities were confined exclusively to the manufacture and distribution of whiskey. Nevertheless, it is important to recognize that the company made a great deal of money from its whiskey enterprise, thus putting itself in a financial position strong enough to permit the successful entry into the new business.

Last year was the first in which the company commenced to operate as a food products concern. Although this was a transitional year, the company made an excellent showing, earning $9.91 a share. Part of these earnings, however, represent revenue from the sale of whiskey, which was permissible for the first few months of the year, so that 1919 earnings can not be considered truly representative of the company's earning power as a food products manufacturer.

When we come to 1920, we find the company truly operating as a food products concern, with its whiskey activities practically negligible. In the first quarter of the present year it earned $570,221 net, or about $1.85 a share. Earnings increased steadily in the second and third quarters, with total earnings for the first nine months standing at $2,826,610, equivalent to about $8.40 a share. All things being equal, it is probable that the company will earn an amount this year somewhat in excess of last year's earnings.

U. S. FOOD PRODUCTS.

	Current Assets.	Current Liabilities.	Net Working Capital.
*1914..	$16,235,878	$5,933,002	$10,302,876
*1915..	12,531,380	787,513	11,743,867
*1916..	13,753,309	1,295,769	12,457,540
1916..	14,869,122	2,399,790	12,469,332
1917..	15,275,946	3,403,954	11,871,992
1918..	20,138,219	3,072,105	17,066,114
1919..	12,379,096	4,392,230	7,986,866

* As of June 30. Rest as of Dec. 31.

Working Capital

For a number of years prior to 1919 this company made an excellent showing in working capital, with an average of $33 a share for the period 1914-1918. In 1919, however, working capital took a decided drop, standing at $7,986,876, against $17,066,114 for the preceding year. This was the smallest working capital since 1912, but was due to the expansion program caused by the new character of the business, with about $5,000,000 cash going into new plants and properties.

There have been no new statements published since last April, so that the present working capital of the company can only be surmised. Inasmuch as no great sums have been expended this year for expansion and also because current earnings are considerably above dividend requirements, it would seem that the company is at least no worse off with regard to working capital than it was last year.

In the inventory account as of Dec. 31, 1919, there is an item for about 1,000,000 gallons of whiskey in bond. This is carried at the very low figure of 40 cents a gallon, and no doubt all of it will be disposed of at considerably higher prices, the Government permitting the sale of this whiskey for medicinal purposes.

As to the rest of the inventories, which consist in good part of sugar, molasses and corn, there would appear to be ground for the opinion that the company will suffer some losses with these commodities selling at much lower prices than those paid by the company.

Capitalization

The funded debt consists of the old Distillers Securities Corp. collateral trust 25-year convertible 5s due April 1, 1927. This issue is outstanding to the amount of $5,546,855. The conversion privilege is no longer operative, having expired Oct. 1, 1912.

There is no preferred stock and the total capital stock outstanding is $30,774,180 in shares of $100 par value. This is a relatively small capitalization with the capital stock having a net asset value of about $120 a share.

During 1919 the company paid dividends of $8 a share. This was on the basis of $1.50 quarterly, with $2 in extras. The extras have since been eliminated, and the stock may be said to be on the basis of $6 straight.

Outlook

Twenty months of operations as a food products company show that the company has a very respectable earning power under good conditions. Considering the fact that this organization deals in staples for which there is normally a regular and wide demand, it is clear that the possibilities are great. The diversified nature of the company's activities is a strong point in its favor, with its interest centered on many things, from yeast-manufacturing to ocean-going steamers. It is well to bear in mind, too, that the company is still in process of development.

It will not do to jump too hastily at the conclusion that the company will have clear sailing. It has strong and experienced competition to contend against, and there is always the question as to what this competition will mean in a lean period. Nevertheless, the capable management and the fair working capital position suggest that it will be able to get over any such period without too great hardships.

The stock has had a very severe decline recently, selling down to 29, as compared with this year's high of 78¾. At current levels it yields about 20%, suggesting that the present rate of dividends is in none too secure a position. But at present prices it would seem to have discounted a great deal—almost, in fact, the entire elimination of dividends. In view of the current satisfactory rate of earnings, however, there is no reason to believe that dividends will be passed altogether, although a cut from the present rate is quite possible, considering the uncertain status of industry as a whole. While speculative, the stock appears reasonably attractive at or below present levels.

The main point to note about Food Products is that it has successfully emerged from the preliminary period and that while it may take some time for earnings to assume real stability, the character of its business points to some such result within a reasonable period.

Investors' Indicator of Industrial, Oil and Mining Stock

The dividend rate given covers regular declared dividends on yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The yield on price is based on regular dividends and the last reported sale or bid price before going to press. A minus sign before earnings column indicates a deficit for the year in dollars per share. INTENDING PURCHASERS should read all notes carefully and consult "Financial News and Comment." It is also well to consult our Inquiry Department.

	Dollars Earned per Share					Present Div.	Recent	Yield on	Remarks
INDUSTRIALS	1916	1917	1918	1919	1920	Rate	Price	Price	
Amer. Bosch Magneto	13.44	7.98	11.18	15.22	....	10	63⅝	15.71	Still further curtailment of production.
Amer. Car & Foundry a	2.39	27.37	30.60	32.24	27.67	12	123⅜	9.69	Receiving large repair orders.
Amer. Hide & Leather pf c	12.64	13.56	16.35	20.73	8.81	7b	46½	15.05	Operations poor at present.
Amer. International	4.97	7.50	7.44	9.43	....	6	40½	14.81	Dividend passed.
Amer. Locomotive c	36.06	21.80	16.64	41.05	14.42	6	84⅝	7.09	Large railroad orders expected.
Amer. Sugar Refining	11.5	11.2	11.7	13.93	....	7	94	7.44	Business practically back on peace basis.
Amer. Sumatra d	2.90	13.90	29.75	5.56	16.91	10	72½	13.79	Doing record business.
Amer. Woolen	15.32	53.42	21.36	39.89	....	7	71⅛	9.82	Reports business picking up. Good spring trade expected.
Atlantic Gulf & W. I.	49.50	52.20	13.50	32.66	....	10	106⅝	9.36	Shipping business showing considerable improvement.
Baldwin Locomotive	6.09	34.53	21.76	21.88	....	7	96⅝	7.28	Fair volume of new orders reported.
Bethlehem Steel	236.30	43.20	21.00	19.80	....	5	53	9.43	New business coming in slowly.
Central Leather	33.14	30.42	10.44	30.11	0f	0	38⅝	0	Now getting the benefit of cheaper raw materials.
Chandler Motor	24.50	34.00	31.03	26.93	37.25f	10	78½	12.74	Output for 1920 estimated at 24,000 cars.
Coco Cola g	3.26	3.74	3.95	7.57	9.22f	4	22½	17.78	Will erect $1,000,000 plant in Chicago.
Corn Products	20.39	38.05	29.01	23.36	33.58f	6	71	8.45	Operating at about 65% of capacity.
Crucible Steel	45.20	42.12	48.25	36.80	20.06g	8	88	9.09	Making further cuts in prices.
Cuba Cane Sugar	26.27	7.63	1.25	7.77	17.60	0	24⅛	0	1920 earnings est. at $20 per share.
Cuban American n	107.70	63.40	86.70	65.40	....	7g	31	22.58	1920 earnings of $12 per share expected.
Fisk Rubber	7.90	20.60	12.10	5.99	....	3	13⅜	22.43	Inventory being rapidly cut down.
General Asphalt	1.90	1.03	5.18	3.05	....	0	46	.0	Has authorized new issue of $4,000,000 8% convertible bonds.
General Electric	18.31	26.50	14.76	20.89	23.06k	8h	126⅝	6.32	Stockholders given right to subscribe for new stock.
General Motors	30.87	34.20	8.76	3.04g	3.32f	1i	16	6.25	New interests obtain control.
Goodrich	12.76	14.50	25.67	25.09	25.33f	6	43¾	13.67	Reduces working force and cuts production.
International Marine, pf	42.10	22.72	18.66	25.45	....	60	52⅝	11.37	Shipping business still unsatisfactory.
International Paper	22.00	84.02	18.48	13.24	....	0	47	0	Looks for no material reduction in print paper prices.
Kelly-Springfield	9.19	12.63	20.78	18.90	....	4j	41½	9.63	Big inventory reported moving slowly.
Lackawanna Steel	34.81	45.89	23.79	1.01	17.88e	6	52	11.54	Large rail orders expected.
Midvale	16.11	17.79	14.00	5.29	6.86e	4	32	12.50	Earned $2.20 a share on capital stock in third quarter.
Pierce-Arrow	18.03	11.19	7.86	6.76	6.28e	0	28⅝	0	Business slowly improving.
Punta-Allegre	....	1.96	11.80	20.67	28.551	8	51¾	15.45	Company in excellent condition financially.
Republic Iron & Steel	47.67	51.38	22.82	1.20	27.00e	6	66⅛	9.08	Reports further cuts in prices.
Republic Motor Truck	5.38	16.57	13.58	12.66	19.00o	0	26½	0	Reopening of plant reported.
Stromberg Carburetor	....	4.25	3.72	5.35	10.82f	4	41	9.75	Business showing little improvement.
Studebaker	26.14	9.11	10.39	23.54	24.06f	7	45	15.56	Further reduction in working forces.
Tobacco Products	5.44	9.32	17.00	8.59	....	6	53¾	11.16	Volume of business still expanding.
United Fruit	27.97	26.72	23.01	32.06	....	12	195	6.15	1920 earnings of $45 per share expected; extra disbursement looked for.
U. S. Food Products	10.30	14.83	31.13	9.91	14.06f	6	30⅝	19.59	Peoria plant resumes operations.
U. S. Industrial Alcohol	36.14	54.67	35.95	20.12	....	8	68⅛	11.72	Planning to add to chemical manufactures.
U. S. Rubber	17.75	28.83	30.86	35.18	27.52f	8	66	12.12	Surplus of tires diminishing rapidly.
U. S. Steel	48.46	30.15	22.10	10.17	16.90e	5	81⅝	6.11	Plants operating at 80% of capacity.
Westinghouse	10.22	12.56	10.05	10.61	9.90m	4	42½	9.40	Large orders expected.
Willys-Overland	5.74	4.58	2.54	0.06	5.32f	1	7⅝	12.69	Plants still operating on short time schedules.
OILS									
Caddo Central	....	3.71	4.70	4.29	8.48f	0	14⅛	0	Earnings at rate of $11 annually on capital stock.
California Petroleum	3.38	6.31	6.02	6.38	9.88f	0	20½	0	Production shows good results.
Houston Oil	1.67	2.12	3.04	3.00	....	0	53	0	Crude oil prices reduced.
Mexican Petroleum	15.79	10.23	14.13	12.17	13.171	12	160	7.50	Both production and earnings expanding.
Middle States Oil	....	....	....	5.75	9.08f	1.60	12⅝	12.55	Stock highly speculative.
Pan-American	5.57	5.80	5.58	5.96	8.16s	6	78	7.69	Shipments still satisfactory.
Pierce	2.50	2.30	3.78	2.44	3.58r	0	12	0	Earnings appear to have turned.
Sinclair Consolidated	....	5.28	6.14	5.22	8.26f	p	25	.0	Great activity reported.
Texas Co. q	37.56	35.54	29.75	21.96	....	3	48½	6.23	Earnings steadily increasing; has splendid future.
MINING									
American Smelting	31.73	24.14	7.29	2.22	6.22f	4	44⅝	8.94	Mexican operations improving.
Anaconda	24.65	17.04	8.92	2.19	....	4	39⅝	10.06	Further curtailment of operations.
Cerro de Pasco	....	2.57	.27	2.54	....	4	30¼	13.22	Expected to announce new financing.
Chino	14.40	11.27	4.06	1.59	2.06f	1.50	18½	8.10	Reports a deficit of $217,400 after dividends for the third quarter.
Inspiration	17.45	9.38	6.96	3.61	....	4	33½	11.96	Production curtailed by poor demand.
International Nickel	6.88	7.78	5.79	3.22	0.00f	0	14⅝	0	Foreign outlook still unsatisfactory.
Kennecott	8.36	6.14	4.50	1.12	....	2	18⅝	10.81	Production continues good.
Pittsburgh Coal	5.59	31.31	10.57	3.96	....	5	61	8.19	Reports further reduction of coal prices.
Utah Copper	24.46	18.46	11.35	5.08	6.28a	6	51¼	11.70	Output still curtailed.

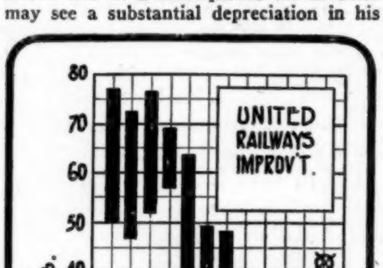
a—Year ended April 30. b—112¾% due in back divs. c—Year ended June 30. d—Year ended July 31. e—Based on 9 months. f—Based on 6 months. g—On present capital. h—Also extras. i—Also 10% annually in stock. j—Also 20% annually in stock. k—Based on 5 months. l—Year ended May 31. m—Based on 7 months. n—On old stock. o—Also back extras. p—Pays 8% annually in stock. q—Based on old capitalization. r—Based on 8 months. s—Based on 4 months.

Three Interesting Preferred Stocks

Dividends in Arrears Add Unique Speculative Possibilities to the Issues — Importance of Watching Business Cycles

By J. C. LESLIE

VERY few common stocks can be placed in the strictly investment class due to their depending almost entirely upon the earning power of the company. Since this earning power varies largely over a period of years, the prices for such common stocks are subject to similar variations and as a consequence the investor may see a substantial depreciation in his investment if such issues are bought at the wrong time.



In the same way many preferred issues —because of large accumulations of back dividends, or due to the passing of the common dividend, or because of irregularity in earnings combined with a non-cumulative feature—are subject to corresponding fluctuations, and may sometimes offer as attractive opportunities for large increases in value as do common stocks.

UNITED RAILWAYS INVESTMENT CO.

Date	No. Times Interest Earned	Preferred Stock % Earned	Preferred Stock % Div. Pd.	Common Stock % Earned	Common Stock % Div. Pd.
1910	1.81	4.78	nil	nil	nil
1911	1.84	5.25	nil	0.20	nil
1912	1.97	6.18	nil	0.93	nil
1913	1.93	5.66	nil	0.52	nil
1914	1.81	4.51	nil	nil	nil
1915	1.64	3.06	nil	nil	nil
1916	1.70	3.54	nil	nil	nil
1917	1.86	4.46	nil	nil	nil
1918	1.67	3.38	nil	nil	nil
1919	1.66	3.24	nil	nil	nil

However, no one should put his funds into such speculative preferred stocks unless he is able to stand all the possible depreciation in market value that may come about, and in addition he should be able to suffer any reduction in or passing of dividends without this affecting his actual needs.

It is needless to say that great care must be exercised in choosing such preferred issues and a complete analysis of the company must always be made. An estimate of the probable effects on such companies by a recurrence of the same conditions which caused them to fail to show good earnings in the past, is also of supreme importance. In other words, if the financial or operating conditions of the corporation are not sufficiently improved to meet the same situation, in all probability the same failure to earn dividends will result. Underlying factors of both business and security markets, infinite patience and conservative methods must be studied and applied.

INTERNATIONAL MERCANTILE MARINE CO.

Date	No. Times Fixed Charges Earned	Preferred Stock % Earned	Preferred Stock % Div. Pd.	Common Stock % Earned	Common Stock % Div. Pd.
1910	1.16	1.49	nil	nil	nil
1911	1.06	0.95	nil	nil	nil
1912	0.98	0.25	nil	nil	nil
1913	1.53	4.44	nil	nil	nil
1914	0.91	nil	nil	nil	nil
1915	4.57	26.26	nil	21.01	nil
1916	6.88	42.10	nil	37.45	nil
1917	5.20	22.72	19	17.35	nil
1918	4.07	18.64	11	13.10	nil
1919	5.81	25.06	26	20.18	nil

From the beginning of history there have been regularly recurring periods of great and general prosperity and of great and general depression. Unless these conditions are recognized and the effects on such speculative preferred stocks carefully gauged, then no one should risk his funds on such securities but should put them into conservative and well-seasoned preferred stocks or bonds. There is no reason aside from the poor judgment and lack of foresight of mankind why we should suffer from these perennial extremes of prosperity and adversity. Crops may fail us and become a tributary cause, unsound currency or banking legislation may accelerate a collapse of credit, but neither crops nor currency of themselves alone have produced a drastic, country-wide liquidation. The ultimate cause of the trade-cycle is over-speculation, and this is almost as native to the human race as breathing.

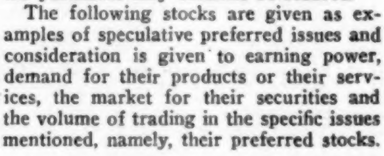
Speculation and investment may be said to emanate from the same motive, namely, the desire for gain; and the difference between them is the difference in degree of risk willing to be assumed. Consequently if an investor is not willing to assume a substantial risk on such speculative preferred issues he should never purchase them. On the other hand if he is willing to assume this risk and to make careful selections and use good judgment, then a large enhancement in the value of his purchases may ofttimes be secured.

The following stocks are given as examples of speculative preferred issues and consideration is given to earning power, demand for their products or their services, the market for their securities and the volume of trading in the specific issues mentioned, namely, their preferred stocks.

INTERNATIONAL MERCANTILE MARINE COMPANY

Due to the chaotic conditions of our export situation and to the world-wide reaction in business, the shipping industry is passing through a trying period. Many ships are idle and most of those with cargoes are only operated at part capacity.

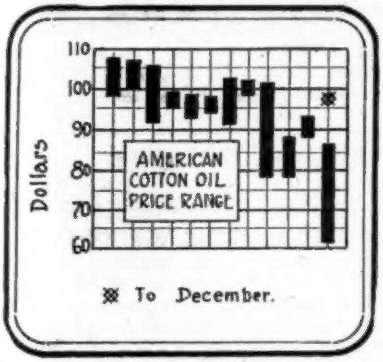
It seems, however, that the well-estab-



lished lines are suffering less than the others, and the American ships appear to be doing better than their foreign competitors. In the near future we should expect a marked increase in our imports and exactly what effect this will have on American owned ships and their earnings is still problematical. At the present time there is actually more world-tonnage afloat than before the war, despite the huge losses suffered through submarine warfare. With a surplus of ships and a depression in business, earnings in this industry are likely to suffer.

The International Mercantile Marine Co. is an American corporation, having been incorporated in New Jersey in 1893. It has extensive interests in affiliated companies and the combined sailings cover forty-five distinct services.

In addition to the steamers, tugs, floating grain elevators, etc., the company possesses valuable terminal facilities in



numerous European and American ports. At Liverpool it has large shops, where much of the repair work for the fleet is handled. In addition to this plant, one of its American subsidiaries has purchased an interest in the New York Shipbuilding Corporation. This latter company has a modern and fully equipped shipyard at Camden, N. J., where steamers can now be constructed and repaired on this side of the Atlantic.

The company's business suffered a depression just prior to the war and following the outbreak of hostilities in Europe it defaulted the interest payment on its 4½% bonds and in February, 1915, it likewise defaulted the interest payment due at that time on the International Navigation Co. 5% bonds.

After the former default had continued for six months, the trustee under this 4½% mortgage applied under the terms thereof for a receiver of the company's property. Receivers were appointed and a plan and agreement was drawn up for the readjustment of the debts. In October, 1916, the company's financial position having been vastly improved owing to the war business, the reorganization was affected without foreclosure, the funded debt was reduced and the existing common and preferred stocks left entirely undisturbed.

During the war the earnings were very large and the surplus earned was more than sufficient to pay off the accumulated dividends on the preferred stock. However, since the company needs sufficient working capital for the proposed expansion of business, the management has decided to liquidate the back dividends from time to time out of current earnings. These accumulated dividends on the preferred amount to 42% after paying the 5% dividend of August, 1920.

Current Earnings

Earnings for the current year are running at a lower rate than for last fiscal period. The decrease in earnings has been due largely to recessions in freight rates, increased operating expenses, and labor difficulties which have seriously interfered with the regular movement of traffic and the despatch of steamers. The excessive cost of fuel and the great difficulty of securing it have not only been a great trial but have contributed to the reduction in earnings.

However, a number of the company's ships is being changed into oil burners. The efficiency of oil compares favorably with coal; about three barrels of oil producing the same amount of steam as a ton of coal. Oil can be stored much more easily than coal and requires considerably less space, and in addition, the fireroom force is greatly reduced. On June 30, 1920, its fleet comprised 106 ships having a gross tonnage of 1,013,993 tons and the tonnage under construction on that date was over 267,000 tons.

When the expansion program is completed, it should be able to compete, if need be, with any foreign shipping company. The facilities are of the best and the service rendered is of the highest type.

The capital stock authorized is $60,000,000 6% cumulative preferred and $60,000,000 common of which $51,725,500 preferred and $49,872,000 common is outstanding; while the outstanding funded debt amounts to about $47,300,000. The preferred stock is fully paid and non-assessable and no personal liability attaches to the stockholders. This issue has preference as to assets up to its full par value and accrued dividends, and has equal voting privileges with the common.

UNITED RAILWAYS INVESTMENT COMPANY

In the public utility field many changes for the better have occurred. More liberal policies, higher rates and more uniform operating conditions are beginning to show their effect by substantial increases in earnings. Reductions in the costs of materials and supplies have been an appreciable factor in the reduction of operating expenses and it is to be expected that in the near future our public utility corporations will regain their former enviable position in America's business life. These companies furnish services which are absolute necessities to our communities and anything which causes an interruption in their operations is usually a serious thing for the business of the locality. With a return to normal conditions some of the more speculative public utility issues should offer attractive possibilities.

The United Railways Investment Company was originally incorporated in 1902, and in 1906 the charter was amended, changing the corporate title to the present one.

This corporation owns or controls through stock ownership the California Railway & Power Co., which in turn owns or controls the United Railroads of San Francisco, the Sierra & San Francisco Power Co., the Coast Valleys Gas & Electric Co., and the San Francisco Electric Railways. Among other concerns this corporation controls the Philadelphia Company, which is one of the foremost and one of the most successful public utilities in the country. The earnings of this latter company are showing up remarkably well and its contributions to the income of the United Railways Investment Co. should be a factor of great importance in the near future.

The properties of the various subsidiaries of the Investment Company are very extensive and include public utility plants and equipment serving large centers of population, street railways, electric light and power plants, and facilities for the manufacture, storage and transmission of illuminating and natural gas.

The companies controlled by the California Railway and Power Co. serve a wide territory. Their hydro-electric plants together with the steam auxiliaries produce a large amount of power and not only the city and county of San Francisco are supplied but eleven other adjoining counties are furnished with this power. The watersheds are located on the west slope of the Sierra Nevada Mountains and have an area of over 400 square miles.

Reorganization Plan

The plan of reorganization of the United Railroads of San Francisco should prove an asset to the parent company. These street railway properties have been well maintained throughout and the present physical condition is good. On November 4, 1920 the amendment to the charter authorizing the City of San Francisco to purchase the street railway lines was carried.

It is reported that oil has been found on considerable amount of territory owned or controlled by the Coast Valleys Gas and Electric Company.

The last preferred dividend of the United Railways Investment Co. was paid in scrip January 2, 1907. Because of the earthquake and fire 4¾% of the dividends paid in 1906 were made in interest-bearing scrip. Owing to the losses on the United Railroads of San Francisco, the

AMERICAN COTTON OIL CO.

Date	No. Times Bond Interest Earned	Preferred Stock % Earned	Preferred Stock % Div. Pd.	Common Stock % Earned	Common Stock % Div. Pd.
1910	9.8	19.46	6	6.78	5
1911	2.1	3.53	6	nil	2½
1912	5.1	18.89	6	6.49	nil
1913	3.7	12.71	6	3.88	nil
1914	3.1	9.93	6	1.90	nil
1915	5.3	19.99	6	7.05	nil
1916	5.0	19.89	6	6.99	4
1917	4.0	15.04	6	4.55	4
1918	3.5	16.29	6	5.14	4
1919	3.2	18.08	6	6.09	4

parent company has deferred the preferred dividends. The accumulations on this preferred will amount to 70% on January 2, 1921. No dividends have ever been paid on the common.

The funded debt of the company including $1,462,500 preferred dividend certificates amounts to $18,754,500; while the outstanding stock consists of $16,000,000 cumulative 5% preferred (cumulative since April 1902) and $20,400,000 common.

With a satisfactory reorganization of the United Railroads of San Francisco and a proper solution of the traction situation there, the parent company should be in a better position than it has been since the San Francisco earthquake. The earnings of its other important subsidiaries are showing up well and this preferred issue will bear watching.

AMERICAN COTTON OIL COMPANY

The consumption of fertilizer in the Southern States is growing yearly, not only in the cotton and tobacco sections but also in the grain growing districts. With the farmers obtaining such high prices for their products during the past few years, they have felt disposed to buy fertilizer liberally. In a business of this character the use of by-products permits a large part of otherwise waste material to be used again and thus act as an additional revenue producer.

This company was incorporated in 1899 under the laws of New Jersey as successor to the American Cotton Oil Trust. It manufactures and deals in the products of cotton seed and produces refined edible oils, substitutes for lard and butter, "Gold Dust" washing powder, Copco and Fairy soaps.

The refineries, crude oil mills, gins, soap factories, lard plants, fertilizer plants and seed houses are located largely in the South but the company has a plant at Montreal, Canada, and another at Rotterdam, Holland, to take care of the foreign trade in those sections.

From time to time the company has acquired control of affiliated companies through purchase of their capital stocks. In 1914 it was announced that plans for the simplification and more effective transaction of the company's business had been perfected as follows: All the cotton ginning and crushing of cotton seed, together with all the manufacturing of fertilizer from the by-products, were to be conducted by the Union Seed and Fertilizer Co.; all refineries to be owned and operated by the American Cotton Oil Co., whose business will be confined to the refining and selling of cotton seed oil; and The N. K. Fairbank Co. to control exclusively the manufacture and distribution of cottolene, lard compound and other edible fats as well as various soaps, washing powders, and other articles of household consumption.

This company has also perfected a process for the manufacture of paper pulp from cotton fibre, for which purpose a big plant will be built at Hopewell, Va. Here the company has purchased one hundred acres of land from the du Pont Chemical Co. and will form the Stamscott Co., which will build and operate this plant and will arrange for additional factories in other parts of the country. Associated with the American Cotton Oil Co. are two other concerns which are prominent in the industry.

The funded debt amounts to $15,000,000 while the outstanding stock consists of $10,198,600 non-cumulative 6% preferred and $20,237,100 common. The preferred has received its full dividends of 6% annually since 1893 although the dividend in non-cumulative. The dividends on the common stock have been irregular. The management recently announced that dividends on the common would be suspended until prices of commodities and general business conditions should become more normal.

The year ending August 31, 1920 has been one of the worst in the history of the company and a deficit of $1,542,531 was shown before interest and dividends were paid. It is possible that a large part of this loss was due to a depreciation in inventory.

Conclusions

While the actual earnings from operations of the various companies analyzed may still show further reductions, the securities of these companies have a way of discounting the future. As stated before, unless the investor is willing to assume a risk he should not put his money in these highly speculative issues; but if he so desires and is able to do sc, he should plan to arrange his purchases on a scale downward. The accompanying charts will be of help in determining where he should make his various purchases. The exact bottom price can seldom be obtained but as a rule when bad news fails to further reduce prices and the stock market falls dull on reactions then the time is at hand to buy securities. An investor must have some confidence in the future of his country and its inexhaustible spirit of enterprise and its resources.

There may be a trading market for several months at or near the bottom. In this period several trades may be made, but when prices turn strong generally do not sell but wait for a substantial rise. When going in for a speculative commitment, the more active the stock the better.

At all times close attention should be paid to the underlying market conditions and the fundamentals affecting business.—U. R. Investment Co., vol. 24, p. 689; Amer. Cotton Oil, vol. 24, p. 857; Int. Merchant Marine, vol. 26, 689.

RAIL EARNINGS IMPROVED IN OCTOBER

(*Continued from page* 164)

rate of about $28,000,000, or approximately the same as rental.

Norfolk & Western in the two months ended October 31 earned at the annual rate of about $14,000,000, compared with rental of $20,711,875, or about $7.40 a share on the common stock.

The **Virginian Railway** earned in the two months at the annual rate of about $7,500,000, compared with rental of $3,-247,603, October showing some falling off as compared with September.

All the Southern roads reporting thus far for October show indifferent results. **Louisville & Nashville** for September and October earned at the annual rate of about $9,000,000, compared with rental of $17,310,495. Earnings would be equal to about $3.50 on the stock.

While **Southern Railway** did better in October than in September, in neither month did the road earn the equivalent of rental. The two months were at the annual rate of $12,500,000, compared with standard return of $18,653,893. On the basis of these two months, the company would fall short of covering its charges.

Seaboard Air Line reported net operating income of $1,117,188 for the two months, or at the annual rate of about $5.450,000. This compares with rental of $6,497,025, and is equal to about 1.5% on the $25,000,000 5% adjustment bonds.

Atlantic Coast Line had an income for October of $903.312, but an operating deficit for September brings the income for the two months down to $646,887. If September be included, the results would show Atlantic Coast Line just about covering its charges. On the basis of October alone, the annual rate would be about $9.000.000, compared with rental of $10,-180.915, and sufficient to cover the 7% dividend.

ROADS IN THE NORTHWEST

The three principal roads operating in the Northwest did as well as could have been expected. St. Paul greatly improved its showing over September, and the result of the two months is at the annual rate of $13,300,000. This, with other income, would cover about 80% of charges. If October be considered alone, the result would show charges fully earned.

Northern Pacific reported net operating income of $2,783,187 for October and $4,955,782 for the two months. This would be at the annual rate of about $24,000,000, compared with rental of $30,-057,760, or the equivalent of about $6.38 a share on the stock.

Great Northern's net fell off nearly $1,000,000 from September, which appears to have been an exceptionally good month for this company. Net for the two months was $5,703,166, or at the annual rate of about $28,000,000. This is nearly equal to rental and is about $8.50 a share on the preferred stock.

Union Pacific System reported net operating income of $6,774,857 in October and $5,591,954 for September, or $12,366,-811 for the two months. This is at the annual rate of about $58,000,000, and far surpasses the showing of any other system. It would be equal to about $22 a share on the common stock, before division of excess with the Government's general fund.

October was a great improvement over September for **Southern Pacific.** Net in September was $4,950,007 and $5,882,337 in October, or $10,832,344 for the two months. This is at the annual rate of $50,000,000, compared with rental of $48,244,600, and would be equal to about $11 a share on the present stock issue after taking credit for oil earnings on the basis of 1919.

The "Collapse" of American International

Great Expectations Cruelly Disappointed—Is the Stock Cheap at 42?—Facts and Figures About the Company and Its Subsidiaries

By **BENJAMIN GRAHAM**

FEW corporate events in recent years have made as deep and painful an impression upon the financial world as the spectacular decline of American International from its high price of 132¼ in 1919, culminating in the passing of the dividend and the resultant break to a low of 38¼. Not, indeed, that the 94 point slump or the omission of the dividend were in themselves such striking occurrences. The Street unfortunately is fairly well inured to the bursting of bubbles. But American International from the very first was regarded as an entirely different and sounder proposition than the ordinary common stock. To begin with, it was supposed to have the finest Board of Directors in the country, comprising twenty-four of the leaders of American banking and business. Secondly, every dollar of its $50,000,000 capitalization was issued for cash at par. And, thirdly, its field of activities—foreign trade and foreign investment—was considered to hold forth unusual opportunities for profitable growth.

Small wonder that an enterprise launched under these excellent auspices should have immediately taken rank as an investment favorite. It was well nigh universally regarded as an issue to be bought and "put away," with the confident hope that in a few years its value would have increased manifold. It is the sharp contrast between this great expectation and the disastrous event that makes the market collapse of American International an episode of such disturbing significance.

Accusation and Defense

The aim of this article is to reach as impartial a judgment as possible upon what has transpired. Many bitter things are being said on the subject; and while the criticisms may be wholly unfounded they are certainly not without provocation. For when the public is not told the "inside truth," it must necessarily decide by the outside appearances.

Now, the whole matter might be dismissed with the easy observation that where there are large possibilities of profit there must also be great risks of loss. Had things gone well the stockholders might have doubled or tripled their stake. Instead, ill fortune was encountered, and so half the investment was wiped out—unpleasant, but inevitable.

On the other hand the directors may say that the corporation is not responsible for the market action of its stock. The mere fact that dividends are suspended does not cut the intrinsic value in two. This action was taken in the interest of conservatism, and because adverse conditions involved a heavy strain (no doubt temporary) upon the cash resources. The company's assets are intact and its position fundamentally sound. So runs the official statement.

TABLE I.—COMPARATIVE INCOME ACCOUNT 1916-1919

(In Thousands).

	1916	1917	1918	1919
Interest and	$502	$3,026	$2,458	$4,175
Dividends	3,338	3,804	5,388	8,153
Operations	$3,840	$6,830	$7,846	$12,328
Taxes and Expenses	1,356	3,084	4,130	7,608
Net Income	$2,484	$3,746	$3,716	$4,719
Dividends	375	1,574	1,817	2,398
Adjustments	165	588	336	495
Surplus for Year	1,944	1,584	2,235	1,826
Earned on Average Capital	15.68%	14.81%	12.40%	12.48%

But by neither of these arguments can the management entirely escape blame for what has happened. If the decline in the market price really reflects an equal in intrinsic value, the disaster cannot be ascribed solely to bad luck. Exchange, it is true, has suffered extreme weakness this year, notably in the South American centers, where the corporation's subsidiaries do a large business. But in its most recent report, the president stated that these enterprises avoided at all times the accumulation of uncovered balances, and so eliminated direct risks from exchange fluctuations so far as possible. Nor should the decline in commodity prices have ordinarily involved an enormous loss to the company, for the total inventories carried at the end of last year amounted to only $15,000,000, or $30 per share. If, therefore, the actual worth of the enterprise has really shrunk 65% or $35,000,000 since last January, some suspicion of inexperience, or poor judgment, or mismanagement, might well arise.

However, if we accept the more optimistic view and consider that the break in the market price was greatly overdone —the intrinsic value having suffered to no such degree—even the responsibility for this collapse cannot be entirely avoided by the management. For months there had been persistent and mysterious selling of the stock which carried it steadily to lower levels. All this time the corporation gave no intimation that anything was wrong and countless investors bought the issue on the basis of the latest reports available, believing the stock to be a great bargain. In the light of what subsequently happened, Wall Street is now asking, "Who did all the selling before the dividend was passed?" Certainly not the general public, who were rather buying it, with misplaced confidence. Hence the men in the brokerage offices are saying that the selling must have been done by insiders, who knew the dividend was to be passed and who took advantage of the public's ignorance to sell out their holdings well in advance.

In view of the high character of the men identified with American International these charges no doubt are entirely unfounded, but is it not their own fault that their secretive policy has permitted such rumors to gain credence? From this point of view there was much warrant for the phrase used recently by a prominent factor in Stock Exchange circles, who referred to "that disgraceful American International incident."

So much for the moral aspects of the case. After all what the public would chiefly like to know is whether the stock is still dear at 42, or whether its tremendous decline has not placed it on the bargain counter. The difficulty of answering these questions with any degree of accuracy must be obvious. Not only is it impossible even to surmise what has happened to the corporation in the past year; but even in the years for which reports are available the lack of definite figures

TABLE II.—COMPARATIVE BALANCE SHEET 1916-1919

(In Thousands).

	1916	1917	1918	1919
Assets:				
Investments	$23,287	$27,314	$27,847	$30,816
Cash and Call Loans	2,954	2,375	1,638	7,765
Other Current	4,161	5,213	10,779	40,627
Fixed	....	1,732	2,040	2,433
Miscellaneous	43	472	1,557	1,948
Total	$30,405	$37,106	$43,861	$83,587
Liabilities:				
Capital	$25,000	$29,970	$29,970	$50,000
Surplus	1,923	3,508	5,743	7,569
Current and Reserves	3,482	3,628	8,148	26,018
Total	$30,405	$37,106	$43,861	$83,587

as to investment holdings and gross earnings makes a valuation well nigh impossible. Nevertheless, we shall marshal what facts we have, with a view to giving some picture of what American International owns and does and possibly of reaching some fairly plausible conclusion as to the dearness or cheapness of the issue today.

The Corporation's Holdings

American International, in addition to conducting some operations in its own name, has acquired securities in no less than 24 companies. These are divided into appropriate groups, and briefly commented upon as follows:

Group A. Proprietary Companies—Operations Included in 1919 Report

1. Allied Machinery of America. Incorporated 1911. Capital $1,500,000, all owned by American International. Does a large export business in machinery and tools. Income account 1912-1916 is available, viz.:

Year	Gross Profit	Net Income
1916	$1,863,000	$834,000
1915	662,000	467,000
1914	350,000	Def. 22,000
1913	19,000	Def. 29,000
1912	2,000	Def. 41,000

2. Allied Machinery Co. of France, Inc., 1916. Capital, fcs. 250,000—all owned by Allied Mach. Co. of America—French agency for machines, etc.

3. Allied Machinery Co. of Italy. Incorporated 1918. Capital, lire 1,000,000, all owned by Allied Mach. Co. of America—Italian agency for machines, etc.

4. Allied Construction Machinery Corp. Incorporated 1917. Capital $250,000. 84% owned by Allied Machinery Co. of America. In 1918 earned $275,000 gross and $50,000 net. Deals in construction machinery for export.

5. Allied Sugar Machinery Corp. Incorporated 1916. Capital $200,000, 85% owned by Allied Machinery Co. of America. In 1918 earned $350,000 gross, but showed net loss of $82,000, after expenses.

6. Horne Co. Ltd. Incorporated 1918. Capital, yen 600,000, all owned by Allied Machinery Co. of America. Controls Yamato Iron Works of Japan, and does an export business with the Orient.

7. American International Steel Corp. Incorporated 1917. Paid in capital $100,000, all owned by American International. Does a general export business in steel, with numerous foreign connections.

8. American International Steel Corp., Ltd. Incorporated 1917. Paid in capital £3, of which £1 owned by American International. Is English agency of American International Steel Corp.

9. American International Ship Building Corp. Incorporated 1917. Capital $2,000, all owned by American International. Constructed and operated by Hog Island shipyard which built 122 ships for the Government. Corporation is no longer interested in this yard.

10. G. Amsinck Co. Incorporated 1916. Capital $6,000,000, all owned by American International. The corporation's recent troubles seem to have centered in this subsidiary, which does a large export and import business, chiefly with South America. In 1918 it reported gross income of $1,363,000, but a net loss—after expenses—of $2,123. In 1917 the net profits had been $470,000. Considering the size of American International, this does not appear to have been a subsidiary of exceptional importance—at least prior to 1919. On Dec. 31, 1918, it had total current assets of $11,383,000, of which $471,000 was in cash and $3,165,000 in inventory. Current liabilities were $8,526,000 of which $2,906,000 was in notes payable. Presumably at the present time its business and obligations are both on a much larger scale. It is stated that 40% of its requirements are financed by the banks and the balance by the parent company.

10. Carter, Macy & Co. Incorporated 1916. Capital $2,000,000, all owned by American International. Imports tea and sells same here and abroad. In the last 8 months of 1916 its gross profits were $423,000 and net $216,000.

11. Rosin and Turpentine Export Co. Incorporated 1916. Capital $800,000, all owned by American International. Deals in naval stores.

The peculiar point about all these subsidiaries is that none of them appears to have been a really big proposition, as far as can be judged by the meagre data at hand. It follows, therefore, that either some of these concerns have since done a far larger business than the reports of earlier years indicate, or else the major part of American International's operating profits came from its own business. These operating profits are stated separately in the income account for 1916-1919, in Table I. The only proposition which the statements mention as having been handled by American International direct was a sewerage construction job for Uruguay, the gross amount of which was $4,000,000, payable in bonds. One might suspect that part of the reported earnings were profits on the sale of securities, but the company insists that it does not speculate in stocks. This point is somewhat mysterious.

B. Proprietary Companies—Operations Not Included in 1919 Report

12. American Balsa Co. Incorporated 1918. Capital $1,000,000, of which $693,600 owned by American International. Manufactures life-saving apparatus. In the last 4 months of 1918 its gross was $372,000 and net $225,000.

13. China Co. Incorporated 1916. Capital $1,000,000, of which American International owns $500,000. Presumably intends to obtain concessions in China. Of the $1,000,000 capital, $950,000 represented "contracts and concessions." In 1918 its operations were only nominal.

14. Siems-Carey Ry. and Canal Co. Incorporated 1916. Capital $500,000, of which American International owns $212,500. Its object is construction work in China. In 1918 operations were nominal, and showed a loss of $40,000.

None of the above three companies appears very important.

C. Outside Investments

15. Pacific Mail S.S. Co. Incorporated 1916, American International, together with W. R. Grace Co., acquired joint control of this enterprise.

16. International Mercantile Marine. This interest was acquired in 1916, but the amount has not been published. In June, 1919, International corporation was unofficially reported to hold 82,745 shares of I. M. M. preferred, and the average cost is said to be about $75 per share.

17. United Fruit. Interest acquired 1916. No further data available.

18. N. Y. Shipbuilding. In 1916, corporation, together with W. R. Grace Co., Pacific Mail and International Mercantile Marine, acquired the entire property. Subsequently some stock was sold to the public.

19. U. S. Rubber. Interest acquired 1917, but amount unknown.

20. International Products. American International apparently owns some bonds of this South American packing concern. Amount unknown.

21. Simms Petroleum. Corporation is said to have acquired 75,000 shares at 47. If this is true, the present price of 7 would mean a loss of $3,000,000 on this investment.

22. U. S. Industrial Alcohol. An unstated interest in this company was acquired in 1917 and apparently disposed of in 1919.

In addition, the corporation was at one time interested in two other companies, probably of small importance, viz:

23. Symington Forge Co., organized to carry out a munition contract. Stock since sold.

24. American International Terminals Co. Now dissolved.

The Outside Investments

Particular attention is directed to the item of investments in the comparative balance-sheet for 1916-1919, given in Table II. The changes in this account from year to year were chiefly due to the purchase of stock interests in outside companies (called participations), but they have also been affected by the transfer of the holdings in various subsidiaries from the investment account to the other assets. Furthermore temporary investments in bonds and notes amounting to $9,122,000 were made the first year. A large part of these were sold in 1917, while others may have been added subsequently. The following table summarizes the progress of the investment account, as far as can be gleaned from the reports and listing applications:

Year	Securities	Book Cost, about
1916	Pacific Mail, Int. Merc. Marine, United Fruit, N. Y. Shipbuilding	$13,000,000
1917	U. S. Rubber, Int. Products, U. S. Industrial Alcohol (sold later)	2,500,000
1918	Unspecified	5,000,000
1919	Unspecified	8,000,000
		$28,500,000
	Proprietary Cos. and Misc.	2,316,000
	Total Dec. 31, 1919	$30,816,000

The reports for 1918 and 1919 state that no important changes were made in the "participations group" of investments. This makes the disposition of the $13,000,000 spent in these years somewhat mysterious. About $3,500,000, apparently, went into Simms Petroleum, but the balance may be in the form of temporary holdings of bonds or notes.

This question of outside investments is of the utmost importance, not only be-

(*Continued on page* 217)

What Shall I Do With My "Deflated" Securities?

The Universal Question Since the Price Collapse—Many Broad Problems Involved—Some Concrete Cases Analyzed for Illustration

By **D. J. RIORDAN**

THE position of the man who, in a continuously falling market, finds himself loaded up with securities purchased in a thoughtless moment, whether on a so-called tip or on his own judgment, and finds himself facing financial shipwreck as a result, is not materially different from that of one who finds himself in a leaky boat, tossing about in an angry sea and far from friends and a haven of safety. The first thought of such a one is to find some means of keeping his head above water when his frail craft disappears beneath the waves. He will clutch at any straw to keep himself afloat, and only when all hope is gone, will he plunge into the deep, trusting to luck and the stars above to bring him safely to land.

When business is good, industry booming, and stocks rising, little thought is given by the average investor, or speculator for that matter, to the safety or security of the investment of his choice. In such times, profit is the only thing worth while. So long as profits are available for the taking, so long as everything one touches turns to gold, only the present is worth bothering about. The future can take care of itself. "Sufficient unto the day is the evil thereof."

Inevitably the day arrives, however, when the financial skies take quite a different tinge; when business no longer is booming, nor industry thriving, when markets are falling and prices tumbling. Then comes the great awakening. Strong boxes, which have not seen the light of day in years, are hastily opened and the contents closely scrutinized. Manuals of statistics are nervously examined, and column after column of figures studied for the purpose of finding out just where the trouble lies.

The Situation Today

That is precisely the case in investment circles throughout the world today. Not since the panic of 1907, which was primarily a monetary disturbance, as distinguished from a business and industrial readjustment, with all that this term implies, has so much doubt and apprehension existed in the investment world as is to be found today.

Unfortunately, the great mass of speculators and investors have neither the time nor opportunity, much less the facilities, to investigate closely the nature of their commitments, even if they had the mind to, while to only a comparatively few is vouchsafed sufficient knowledge to enable them to discriminate between the good and the bad, to separate the sheep from the goats, and to transfer themselves and their possessions from a sinking craft to one capable of withstanding the buffetings of business and financial adversity. In times of financial stress, in a period of general readjustment, like that which the country is now going through, it is easy to lose heart and throw one's securities overboard, regardless of price and intrinsic worth. The wise and courageous investor, however, will seek ways and means of extricating himself from an unfortunate predicament, and the most effective means that experience teaches he can adopt is "the switch"; that is, a transfer of his interests from a security of dubious character and promise to a safer and more promising one. It will make little difference to him whether the security selected be that of a railroad, a mercantile concern, or a manufacturing enterprise, or whether the return on his new investment be more or less than that of the one thrown overboard. His final object will be to save himself from financial shipwreck, and if this can be achieved, little else will matter. He knows, of course, that when the storm shall have passed and the sky cleared, the dependable craft will still be afloat, and that the time will come, especially in a country like this, which is a "bull" country, and not a "bear" country, certain securities are bound to "come back." The question is, then, which are the fairly safe securities, and which the less safe at a time like the present, which securities may be depended upon to "come back" when the pending readjustment is completed, and which are likely never to rise again? The following letters from subscribers to THE MAGAZINE OF WALL STREET, and the answers thereto, will, it is hoped, serve to throw some light on this question:

Switch from a Dubious Utility

"Some months ago I purchased 50 shares of American Light & Traction at 126, thinking that the price of the stock had practically discounted the reduction in the company's dividend from 10% to 6%, and that in view of the inevitable drop in commodity prices, which then seemed impending, the company's earnings would shortly pick up, and that with continued improvement, the dividend might sooner or later be restored to its old basis. Much to my chagrin, I find that earnings are not expanding to the extent hoped for, so that the prospect for the stock getting back to the price I paid for it, appears exceedingly remote. The common shares are now quoted at about 105, and while I am able to hold them, fortunately, still I am not sure that the share list does not afford many more promising issues. What would you suggest as a more promising switch?" M. V. W.

American Light & Traction Common stock seems more likely to decrease in market value in the days immediately ahead, than to advance very materially from the prevailing price level. An official of the company recently reported that the company was losing more money from some of its gas properties than it was making from recently received increases in rates from other subsidiaries. Moreover, the company is still paying a stock dividend, so that its capitalization is growing all the time, making it all the harder for the company to pay a cash dividend on the outstanding capitalization. In conservative quarters it was hoped at the time the cash dividend was reduced, that the directors would see their way clear to omit the stock dividend entirely, for there can be little doubt that continued payment of the stock dividend through good years and bad, mostly bad, has been a mistaken policy. At any rate, it has not been in accordance with the dictates of sound and conservative management. Perhaps the impending liquidation of labor and the falling prices for commodities which the company consumes, will have their reflection sooner or later in expanding earnings of the company. But this is small solace for those who have been watching the distressing shrinkage in the company's earnings during the last two years or more. In 1918, after payment of the usual preferred and common dividends, there was a deficit of $1,220,151, and for 1919 a deficit of $1,544,584. For the current year the deficit will be somewhat less, nevertheless the company continues to pay dividends as though there was no end to its cash resources. It is this which makes the outlook for the common stock of the company so dubious.

Now there is a stock, a rail, selling but slightly above **American Light & Traction common**, that appears to have brighter prospects, marketwise, than the latter. Reference is made to **Southern Pacific** common. This road is not only earning a substantial margin over its dividend requirements—so large a margin, in fact, that an increase in the dividend rate in the not distant future is not improbable —but it also stands a chance of appreciating greatly in value, by reason of the forthcoming segregation of the company's oil properties. These properties, all students of investment conditions agree, are tremendously valuable, precisely how valuable no one can know until the proven oil lands have been properly developed. But when they are lodged with the new company that will probably be formed to take them over and developed to the full extent of their capabilities, it is not improbable that the stock of this new company, which presumably will be distributed gratis among the Southern Pacific shareholders, will conceivably prove quite as valuable, and pay as large a dividend as Southern Pacific's stock now pays. With this prospect in view, therefore, it is altogether within reason to presume that ultimately Southern Pacific common will be worth a great deal more than it is selling for today, whereas it is still a question whether American Light & Traction common has as yet reached bottom. A switch from the latter to Southern Pacific, therefore, would seem to be an excellent way out of your entanglement, and we strongly recommend it.

Tied Up in Peoples Gas

"I have seen the stock of Peoples Gas Light & Coke Co. of Chicago drop from above par, where I purchased it in January, 1916, thinking that the 8% dividends it then paid were safe, down to about 27, where it sold early this year, and I am still holding it. Up to within a month or so ago the stock showed signs of a coming revival, based presumably on the fact that the company had obtained the right to increase its rates. Latterly, however, the stock has been sinking with the rest of the list, and now I am beginning to wonder whether it will ever "come back." Can you help me out of my predicament?" L. R.

Peoples Gas Light & Coke Co. of Chicago is now operating on a basis of $1.15 per thousand feet of gas, the rate having been advanced from 85c. At present the company is anticipating an increase to $1.25, while asking for a further increase to $1.40, which in all probability will not be granted. At the current price of $1.15 per thousand, the company is barely earning its fixed charges, so that with the price of coal and oil keeping up one can hardly anticipate any great improvement in earnings, even if the rate should be increased to $1.25.

That the passing of the dividend in November, 1917, was fully justified is now plain to everyone. For that year, the company reported a deficit of $1,712,673, and for the following year one of $1,366,629. Last year, a small surplus was earned ($65,207), and the present year will probably make a somewhat better showing. However, it is quite apparent that a resumption of dividend disbursements is a long way off, even though some improvement in earning power may be anticipated by reason of the construction of additional large plants in the city of Chicago. But unfortunately the governing authorities in that city are not any better disposed toward the Public Utilities than the Municipal Authorities in greater New York, and the chances are that when the company again shows signs of becoming a money earner, a determined effort will be made to reduce the price of gas.

On the other hand, **Commonwealth Power, Railway & Light** preferred, selling at about the same price as Peoples Gas, recently has shown greatly increased earnings, and is now disbursing dividends in script, payable in 6 years from February 1, 1918, and paying interest at the rate of 6% per annum in the meanwhile. The company's service extends throughout one of the most prosperous sections of the country, Southern Michigan, serving such important cities as Saginaw, Bay City, Flint, Lansing, Jackson, Battle Creek, Kalamazoo, and Grand Rapids, all flourishing manufacturing centers, besides other important sections of Wisconsin, Indiana and Illinois. Like Peoples Gas, the company operated at a loss, but at a much smaller one, in 1918; but in 1919 earnings increased so rapidly that at the end of the year it was enabled to show a surplus, after payment of the script dividend on the preferred stock, of $1,341,948, while for the current year to date, earnings are at least as large and give promise of expanding considerably more in the near future, although, of course, some account must be taken of the probability of a falling-off in business as the result of the present depression in the automotive industry. However, this may be regarded as only a temporary setback. The company is now in a strong financial position, and it seems to be only a question of time when cash dividends on the preferred stock will be resumed. However, the present script dividend is just as good as cash, for it is returning 6% per annum and will undoubtedly be taken up at maturity.

Substituting Stock for Bonds

"Believing that, as a result of the substantial increases in freight and passenger rates granted by the Interstate Commerce Commission, the earnings of the Chicago, Milwaukee & St. Paul Railroad would increase sufficiently to warrant a resumption of dividends on the preferred stock, it required little inducement on the part of my broker to get me to buy 100 shares of that issue, for which I paid 61. Now I find that instead of increasing, the road's earnings are likely to show some falling off during the next several months, as a result of the present business depression, so that dividends would seem to be farther off than ever. Is there any way that I can make up my loss, for the stock is now selling around 52, and receive a fair return on my investment at the same time?" E. M. R.

Yes, there is a way, and we think we can help you to find it.

While in September, one of the first months of operation under the new rate schedule, St. Paul enjoyed a net operating income of $618,901, still this was barely one-third of the income it received under the law of Federal compensation, while for the nine months ended with September, the company suffered a net operating deficit of $10,031,313, as compared with net operating income of $2,037,833 for the corresponding period of 1919. October earnings are not yet available, but if advance information can be relied upon, the return for last month is not likely to show much improvement over September. It is true the company recently reached a compromise settlement with the Railroad Administration, under which it received some $30,000,000 cash. But against this the company had to pay off about $11,500,000 paper held by the War Finance Corporation, and also liquidate $4,000,000 of indebtedness held by a number of New York banks. The remaining $15,000,000 was urgently required for maintenance of way and for new equipment, so that there was little available for the payment of any dividends on the preferred stock. Nor is it likely, in view of the probability of slender earnings during the next several months, that any dividend will be paid on the preferred stock in the nearby future.

There is another road, however, that has been showing a fairly remarkable expansion in earning power, not only during the last couple of months, but for a year or more, with the result that it is not only earning its fixed and contingent charges, but is also showing a fair margin on its preferred and common stocks. In fact, its earnings are showing up so well at present and promise to continue at a high level for months to come, that probably as much as $10 a share will be earned on the common stock this year and next. This road is the **St. Louis-San Francisco Railway,** and the security that we recommend as a switch from Chicago, Milwaukee & St. Paul preferred, are the 6% income bonds of the Frisco System now selling around 50, on which basis **they return about 12%** per annum.

The interest on these bonds has been paid regularly, even in the period of extremely lean earnings, and now that the road is enjoying the benefit of the increased freight and passenger rates, the possibility of default is more remote than ever. So why hold on to a security that will probably not give any return for many months to come, and ignore one that not only affords a magnificent return on the sum invested, but also gives promise of attaining a substantially higher price level at no distant date? Of course, it is necessary to make allowance for the future, that is, for some falling off in the road's earnings as a result of the pending business readjustments, but considered from every conceivable angle, the prospect for price advancement, to say nothing of actual return, is much brighter in the case of St. Louis-San Francisco income 6s, than in that of Chicago, Milwaukee & St. Paul preferred stock.

An Automobile Switch

"I own outright 200 shares of Willys-Overland Common, bought at 12⅞, and I am contemplating the purchase of an additional 600 shares at around the current price, namely 8. I figured that within two years I should have a very handsome profit, at least 10 points, for I figure that Overland should not go much lower than 7. Do you think it would be wise on my part to put this plan in operation now, or should I wait until the future of the automobile industry becomes clearer?" H. C. M.

If you buy 600 additional shares of Willys-Overland common stock, now selling around 8, your entire investment would average you about $9.25 a share, not counting brokers' commissions or the loss of immediate return on your money. It is not beyond the range of possibility that Willys-Overland has already struck bottom and that the price of the stock will advance 10 points within the next two years. Indeed, the chances are that the price of the stock has already fairly discounted the worst phase of the present reaction in the automobile industry, so that one who buys the stock now and holds it patiently until the industry revives, will probably be in a position eventually to reap a very substantial profit. But the question which might present itself to an astute investor in times like the present, with the future fraught with so much uncertainty, is this: "Why should I tie up some $7,500 of my working capital or surplus funds without hope of receiving any immediate return, when I might just as well invest the money in a security selling just as cheap, having just as good prospects, and in the meantime giving me some return on my money?" The question is, where can such a security be found?

Fortunately, it is not necessary to go outside of the automobile group to find such a security. In fact, one can be found **in Hupp Motors.**

This company recently issued a report which showed that for the 3 months ended September 30 last it earned net, after taxes of $843,535, or more than the company earned in any year prior to the fiscal year ended June 30 last, when $2,668,299 was earned. Net earnings, therefore, for the quarter, were equivalent to $1.59 per share on the common stock, after preferred dividends. Thus, in a period, when the motor industry as a whole was showing distinct signs of slackening, the company earned **its whole year's dividend by a 50% margin.** Moreover, the balance sheet of September 30 last, showed net quick assets of nearly $3,900,000, which is equivalent to $5.80 per share on the common stock, after allowing for the full face value of the preferred stock outstanding. More than that, the company is borrowing no money, and has in cash and Government securities more than $1,900,000. More important still from the standpoint of one who desires to take advantage of the prevailing low price level to purchase sound securities and yet be assured of some return on his investment, the common stock, which is now selling in the neighborhood of $9.50 a share, is paying dividends at the rate of $1 per share annually, on which basis it returns a little over 9%, the stock now selling around $11 a share.

The fact is, Hupp Motors is one of the

strongest of the automobile concerns, both physically and financially, and the common stock is one of the issues that can be depended upon to come out on top when the pending readjustment of the automobile industry is completed.

From One Industrial to Another

"I hold 200 shares of Colorado Fuel & Iron, purchased some months ago at 41, when the steel industry was still riding on the wave of prosperity. For months after I purchased it the stock barely moved, and now that the industry is apparently on the down-grade, I find it is moving fast enough, but in quite a different direction from what I had hoped for. Do you think that the present dividend of $3 a share per annum is safe, and if you do not, would you be good enough to suggest a switch to some other more promising issue?"—G. F. R.

In the past, **Colorado Fuel & Iron** has not been remarkable for its earning power. During the war period, to be sure, it showed good earnings and after paying its preferred dividends the company was able to lay by something for the proverbial rainy day. Thus, for a year or so, it was enabled to add substantially to its surplus. But as a rule, the company's earnings have not been much to boast of. For the quarter ended on March 31 last, it earned a surplus, after taxes, interest, sinking fund charges, etc., of $420,568, or $1.11 a share on the common stock, after deduction of the preferred dividends. In the corresponding quarter of the previous year it earned only $1.05 on the common stock. In the second quarter of the present year only $1.10 was earned for the common shares, and now with business definitely on the down grade, a somewhat poorer showing may be expected for the remaining quarter of 1920. Hence, the present dividend appears to be in jeopardy.

Fortunately, there is a little stock selling at about the price of Colorado Fuel & Iron that not only has a much better record of earnings behind it than the latter and is doing remarkably well today, but more than that, it is giving a 25% better return on the money invested. We refer to **Allis-Chalmers common,** now selling in the neighborhood of 30 and paying $4 per annum.

Since April, 1917, this company has not only paid the regular 7% dividend on its $16,500,000 outstanding cumulative preferred stock, but has paid up all dividends in arrears, so that in August last it was enabled to put the common stock on a 4% annual dividend basis. That this action was justified is apparent from the fact that in 1918, after paying 10% on the preferred issue, the company earned approximately $11.75 a share on the $25,770,750 outstanding common stock, while in 1919, after paying $11 on the preferred, including back dividends, it earned something over $7 a share for the common. For the quarter ended September 30 last, the company reported net profit, after Federal taxes and preferred dividends, equivalent to $2.49 a share on the common stock, while for the nine months ended September 30, its net profits totaled $2,525,285, equivalent to about $6.50 a share on the common. Thus, for the full year, it will probably show something in excess of $8 a share on the common. In other words, the common dividend will have been earned twice over. Nor is it apparent that the company's business is suffering any material contraction during the pending readjustment in general lines, for unfilled orders on hand September 30 last, amounted to $19,814,948, as compared with $14,542,704 on the corresponding date in 1919.

Summed up, the case is this: The present dividend of $3 a share on Colorado Fuel & Iron stock appears to be seriously jeopardized, while the present rate of dividend on Allis-Chalmers common seems reasonably safe. Under the circumstances, therefore, we can hardly refrain from suggesting a switch from the former to the latter.

Why We Need a Merchant Marine

(*Continued from page* 151)

note cases are full of the paper of producers.

A producer is a producer, whether he produces foodstuffs, textiles, steel, or what not, and if he cannot move or dispose of his product he cannot pay his note at the bank and his paper "goes stale." Now, if there is one thing more than another that takes the heart out of a banker it is when his Bills Receivable go stale. After about the fourth or fifth renewal without any reduction of the principal he gets "jumpy," knowing that if the bank examiner has it in for him he can give him no end of trouble.

Fortunately, the United States is like a young and lusty camel with an unusually large hump, and so we can live on our hump for at least three or four years. The money has not disappeared. If it is not the credit of Mr. X. in the A. B. C. Bank it is to the credit of Mr. Y. in the D. E. F. Bank—that is to say, speaking generally.

But this much we do know, that we are confronted with a condition, not a theory. The condition is that we are a creditor nation and consequently, *must* not "should," but *must,* as quickly as is humanly possible, develop our capacity as a world-distributor to a parity with our capacity as a world-producer.

This can only be done by the permanent maintenance and operation of our own American Merchant Marine; there is no other way.

The fallacy of allowing any other nation, especially England or Japan, to carry our goods in their ships, even if allegedly in payment of their indebtedness to us, lies in the fact that by so doing we are inevitably impeding the development of our own foreign trade and the establishment of our connections in new markets.

It would be ridiculous to ask Mr. A. to deliver your goods to Mr. X. when Mr. A. himself is trying to sell the same kind of goods to the same Mr. X. that you are trying to do business with.

Thus we see that the United States, heretofore from its very foundation a nation whose industrial, commercial and financial system has been based purely and exclusively upon its productive genius, must now, with utmost dispatch, develop its distributive genius.

We have grown up lopsidedly, indurable introspectionists, forever looking in on ourselves. Now a mightier power than even that of the Government of the United States has forced the world upon us and us upon the world.

Such being the case with the United States as a whole, what shall we say as to this land locked "heart of the country," this greatest producer in all the world, this Illinois-Iowa-Indiana-Ohio-Missouri-producing district?

The answer is that it will be smothered with its own products for lack of transportation at a rate low enough to compete with the products of the New England and Eastern Pennsylvania manufacturing districts which are already on the international world's highway, to wit, the ocean itself.

Europe's Old Advantages

There are two reasons that account for the fact that for two thousand years the flower of the world's civilization has blossomed in Europe. The first is the Gulf Stream which by modifying the climate, has made Europe an agreeable place for human beings to live in. The second is that because of the configuration of the European coast line, with its many bays, inlets and inland seas every country on that continent, save Russia, has quick and easy access to salt water.

It may be said of Europe that "the salt of the earth" dwells near the salt of the water. One has to go as far inland as Moscow to find a spot as remote from the ocean as Cincinnati is from Baltimore.

The map of Europe resembles a piece of fret work, done with a jig saw. Note the indentations; the Baltic, the Gulf of Finland, the North Sea, the Bay of Biscay, the Mediterranean, the Bay of Marseilles, the Adriatic, the Agean Sea, the Bosphorus, the Sea of Marmora, the Black Sea, the Levant, the Suez Canal shortcut into the Red Sea and Indian Ocean.

These are the avenues of approach and egress that have made Europe the home of arts, letters, civilization, science, commerce and finance.

Now look at the map of the United States; a splendid ocean frontage but otherwise a solid block, no interpenetration of the living sea such as Europe enjoys.

And yet we have a fresh water Mediterranean of our own that needs but the graver's chisel to fashion into a life-saving outlet for the commerce of the greatest productive region on this planet. We have in the Mississippi River and its affluents the mightiest system of waterways in the world.

And in Chicago, we hold the key to both systems of inland navigation. Here it is that the Great Lakes penetrate the furthest south and the deepest into the center of our country. Here it is that the great State of Illinois continues southward towards the Gulf as far as Cairo. There is no state in the union that, in respect to inland navigation, has anything approaching to the strategic position of Illinois.

How, then, is the necessary legislation to be effected and the necessary money obtained for the junction of inland and marine navigation at the Port of Chicago? By arousing the interest and active cooperation of our men and women.

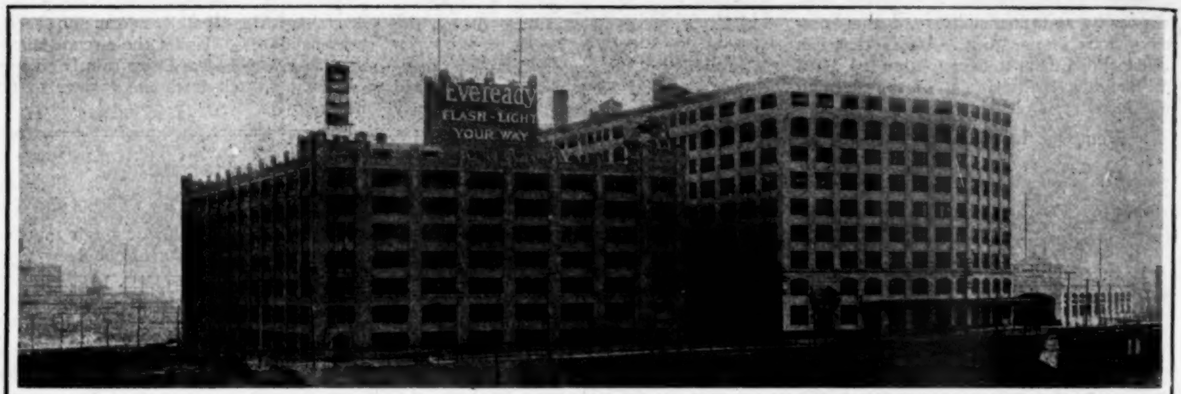


Photo by Brown Bros.

THE AMERICAN EVEREADY FLASHLIGHT WORKS, ONE OF THE MANY SUBSIDIARIES OF THE UNION CARBIDE AND CARBON CORPORATION

Union Carbide & Carbon Corp.

An Industrial Giant

Union Carbide Ranks in Its Own Field on a Par with U. S. Steel—Controls 33 Separate Companies—Publishes No Earnings Figures

***By* A. T. MILLER**

A MAMMOTH enterprise and the leader in its field, Union Carbide & Carbon presents scme close parallels with the U. S. Steel Corporation. In their respective industries these two organizations are the most important single factors, and their business policies invariably exert a profound effect on their competitors. Both are self-containing organizations, having facilities all the way from the extraction of the raw material to the manufacture and distribution of the finished product. In this way, both are able to produce at a much lower cost level than their competitors, and are enabled thereby to secure a regular and dependable market.

The products of Union Carbide & Carbon are infinitely varied and include among a great many others the following: Calcium carbide, gas producing materials and gas, acetylene, oxygen, electrical appliances of all sorts, chemical substances and compounds, fertilizers and metallurgical substances. It would be impossible to give a list of its customers, an idea as to the scope of the business being afforded by the single instance that among its customers are 300,000 farmers who purchase some of its various products. Practically all the leading steel interests purchase their ferro-alloys from the corporation. All the mines of the country are also customers.

The products of Union Carbide & Carbon are standard and are known the world over. The corporation pursues a fair policy with regard to customers and charges a price only moderately above the cost of production. In this way, it has a tremendous advantage over its competitors, who can do satisfactory business only when there is an overflow of demand, as during the recent war period. In normal times, because its products and prices are standardized, and because of the exceptional service rendered, the corporation is able to get most of the country's business.

Subsidiaries

As of May, 1920, the corporation owned or controlled 33 separate companies, some of which, like the Union Carbide Co., the National Carbon Co., and the Linde Air Products Co., make very good sized companies by themselves. Among the most important of the corporation's subsidiaries are the following: Union Carbide Co., National Carbon Co., Linde Air Products Co., Prest-O-Lite Co., Oxweld Acetylene Co., Electro-Metallurgical Co., and the Michigan Northern Power Co.

Through the Union Carbide Co. the corporation produces calcium carbide from which acetylene and other gas is made. This company makes most of the acetylene gas produced in America. The National Carbon Co. manufactures electric light carbon, wet and dry batteries, track and signal batteries for use on railroads, electric storage batteries for use on automobiles and automobile starting and lighting apparatus. The company is the biggest single factor in the manufacture of dry batteries in the United States. The Linde Air Products Co. manufactures oxygen and other air products used in the welding and the cutting of metallic substances.

Export Business

A very large plant for the production of nitrates extracted through the air process is nearly ready for operation in Norway. It is expected that this plant will take care of the corporation's European business. Europe, however, is not looked upon as an exceptionally good field for the corporation and the bulk of its export activities are centered in South America. A new export department has been recently formed, but it is not expected to become of any great importance for a long time.

From official sources I learn that the corporation owns 120 plants and 218 warehouses, giving a good idea as to the scope of the business. There are about 25,000 men employed throughout the various plants and establishments. The corporation has been remarkably successful with regard to labor, and so far as it is concerned there is no labor problem. This is due to an intelligent and progressive policy which permits the official in charge of each plant to deal directly with the employees and thus immediately adjust any disputes which may arise. Recreation rooms are provided and many of the plants have restaurants where the men may get their lunches at cost. Some of the plants also are provided with stores where all sorts of articles may be obtained at cost. This policy has naturally kept the men contented. It goes without saying, of course, that the wage scale is fair and satisfactory to the employees.

Generosity to Stockholders

The corporation does not publish earnings statements and it is therefore impossible to get an accurate picture of earnings. However, it can be surmised that results along this line have been eminently satisfactory if very generous disbursements in stock and regular cash dividends in fair amounts mean anything. Some of the subsidiaries have paid extraordinarily large amounts. Thus, the Linde Air Products has paid dividends of 8% from 1913 to date. In addition, it paid a stock dividend of 40% in 1914 and one of 25% in 1916. Union Carbide, the most important subsidiary, increased its capitalization from $6,000,000 to about $40,000,000 through the issuance of large stock dividends and through the sale of stock on favorable terms to stockholders. Practically all of the stock of this company is owned by the parent corporation.

(*Continued on page* 198)

Building Your Future Income

The Fourteen Obstacles to Successful Investing—No. 10: Credulity

IN the profession of investing, it's not what somebody else tells you to be the truth that counts. It is what you, yourself, *know* to be the truth.

The reports that Smith, of the international banking house of Smith & Smith, is selling stock, may interest speculators. Active speculators, with their ears close to the ground and an accurate knowledge of Wall Street psychology, may even be able to make a lot of money out of the report. But for you, as an investor, rumors that you cannot substantiate are worthless; worse than that, they are liable to be misleading.

The point will be raised, of course, that such a report as the one noted, if it could be even partly substantiated, would cause wholesale selling of stocks and bonds. The selling might quite possibly reach the point where it affected investment holdings. For that reason, it will be said, the investor could not, in justice to himself, ignore it.

Our contention is, not only that he could afford to ignore such a report, but that, nine times out of ten, by so doing he will be furthering his own interests.

* * *

A CASE in point is the most recent experience of the kind which Wall Street has had to undergo. The president of a large motor manufacturing company was rumored to have gotten into financial difficulties. The rumor followed its usual course, spreading wider and wider over the financial community, culminating in a wave of short selling and liquidation in the securities of the company he headed.

There is no way of telling exactly when it was that the investment holdings of the security affected were reached. No doubt innumerable small holders were frightened out early in the game, the larger holders being dislodged only when the price approached its low point.

For our purposes, it makes no difference when they were dislodged. The important point is that the rumor might well have been entirely disregarded by investors, as subsequent events proved, because the holdings of the motor president in question were very soon transferred to a tremendous banking syndicate and thereby lodged more safely than they ever had been.

The investors who allowed this report to affect them to the extent of releasing their holdings played into the hands of the speculative element, added their influence to the hysteria of the moment and sacrificed what may have represented the savings of a great many years. And, for consolation, all they had was the spectacle of their stock recovering a good part of the loss which it sustained following the first inklings of the "trouble."

* * *

TO the investor who determines to disregard rumor the question now presents itself: "How am I going to determine what is the truth?" To which the answer is: "Depend upon established facts, as recorded or interpreted in reliable publications."

Annual reports of the companies in whose securities you have invested are one means of determining the facts. Not infrequently companies issue quarterly reports, which serve to keep you all the more closely informed as to their progress—or decline.

In addition, there are the innumerable *statements*—not rumors—contained in the daily papers, coming from official sources.

The value of a careful reading of such a magazine as you now have in your hands cannot be overestimated. It is impossible for the business man or the business woman to keep in touch with all the variations in conditions affecting the companies they invest in. To have these things correlated for them, independently analyzed and presented in compact, readable form means the saving of effort and time—the two most valuable factors in life.

These are a few of the agencies through means of which the careful investor may ground his financial operations in the facts, leaving the rumors for other, less substantial people. To benefit fully from them a knowledge of the fundamentals of finance is essential; a corporation's report, actually extremely good, may appear extremely bad to the novice who has not taken the time to learn. This knowledge, however, is well within the reach of any determined man or woman who will not let the necessity of asking questions or of spending a few minutes each day in self-instruction discourage him from the main object.

And the process of self-education, backed up by the refusal to listen to the gossips who cannot substantiate their weird reports, will soon find hard-headed business sense in the place of weak credulity, or the ability to invest wisely in place of the inability to invest at all.

Plow Your Earnings Back In!

This Is One Man's Plan for Achieving Financial Independence—Would Concentrate on Earning Power

By "D. B."

ALTHOUGH of Scotch-Irish descent and frugal by nature and training, the need for an exact financial policy was never impressed on me until about five years ago. In 1900 under a hit or miss investment method I made my first step, when $100 was loaned to a building and loan association at six per cent. For fifteen years I was careless, believing that the interest was being regularly compounded, and was only awakened when I decided to call the loan. I then learned that the note carried but simple interest and I received but ninety dollars.

TABLE I.—THE ESTATE.

Total value:	
(a) Business	$18,750.00
(b) Home	9,000.00
(c) Surplus—	
(1) Stocks	2,198.00
(2) Bonds	2,820.00
(3) Mortgages	1,900.00
	$34,668.00
Borrowed money	9,950.00
Net value	$25,178.00
Life insurance	10,000.00
Total value of estate	$35,178.00

An Eight-Year Interval

It took me eight years more to accumulate sufficient for my next step, which consisted in the purchase of two $500 farm mortgage notes, issued by a reliable banking house in the Middle West. I carried these for two years or until 1910, at which time the need of a home for myself and family became apparent. The notes then served as the first payment upon property consisting of a house and five unimproved and vacant lots.

The purchase price being $5,000 I shouldered a mortgage of $4,000. This seemed a pretty heavy load at that time, but I was young, wages were fair, and I was full of hope. The property was in a location giving promise of future development, and my wife and I decided that a few years' sacrifice would tide us over until improvements were completed. Then we would dispose of the four vacant lots at a profit and still have the home place left.

In other words we planned to average down.

Having started in real estate and knowing no other line I pursued the course of least resistance. During the next four years I overdid things by acquiring five more vacant, unimproved city lots. My experience with real estate is sufficient to warrant a separate story under the subject "Investment Pitfalls I Have Encountered and the Lessons I Have Learned."

Summed up, however, my conclusions are that for the average person the acquisition of a home in keeping with his station in life is one of the wisest investment steps; but to acquire more real estate than he needs—especially unimproved real estate—is poor business.

Things Looked Black at Thirty

In 1914 I was thirty years old, and the realization of my age brought with it the thought that if ever I was to accumulate money it would have to be in the next fifteen or twenty years.

Furthermore experience had taught me that, although well trained in my own line, I knew absolutely nothing about the great broad field of investing. I began to realize that while my early training had been full of moral, religious and educational counsel, no words had ever been spoken relative to the advantages or pitfalls of investing.

As I look around now among my acquaintances, I see the same conditions existing, and **I hold that it is a colossal blunder for a man to fail to instruct his children, or to school his wife along the lines of safe personal finance.**

So I came to the conclusion that no matter how successful one might become in his own profession or trade it would be but half a success unless he were likewise successful in his investments. Somehow or other financial returns seem to gravitate to those who do things well. As has often been said the difficulty with the average is conservation rather than accumulation.

What Study Did

It was about this time that I commenced to study this particular field. First in the financial pages of the metropolitan papers, in magazines and books.

While traveling one day I picked up from the car seat a discarded copy of THE MAGAZINE OF WALL STREET. I had no knowledge that there was such a source of information. Further search, however, disclosed the fact that there were a number of such periodicals. For a year or so I secured at the newsstand copies of the various journals, to see which one served my purpose the best, as I had not the time for study of them all. I finally eliminated all except THE MAGAZINE OF WALL STREET, and have been a regular reader ever since.

Further study led to the conclusion, that taken as a whole fundamental business conditions sooner or later make themselves apparent to those interested. Probably the public press is the broadest means of this distribution of knowledge. It is at this point that the time factor enters into business success, for he who knows two years, two months, two weeks or even two minutes of approaching changes, can profit thereby if he acts with judgment.

The Start

It took a year to bring myself to the determination to break out professionally into new ground. I should, I decided, either start in business entirely by myself or associate with others on a basis other than mere wages. The latter seemed the better, and in 1915 I disposed of a portion of my realty holdings and joined in a small group in a manufacturing business along my line.

This was the year in which I made my first purchase of a security, consisting of a small block of Anglo-American Oil. This was held for about eighteen months and sold at a profit. Over the period held this netted me 12% on the investment. Again, in November, 1917, I purchased a small block of Texas Oil at 140. This was held for two years and sold for 285,

TABLE II.—DIVISION OF CAPITAL.

September 1, 1920.

	Cost	Present value	Yearly income
(a) Business.	$18,750	$18,750	$3,750 (avg. 4 years)
(b) Home.	$8,200	$9,000	None

(c) Surplus.

(1) Stocks.

No. shares	Issue	Moody's rating	Par	Cost	Present value	Yearly income
6	Union Oil	None	None	$296	$168	None
5	Cities Serv. pfd.	Baa	$100	348	330	$30.00
5	Willys Over. pfd.	Baa	100	444	310	35.00
10	Cer. de Pas.	B	None	419	390	40.00
5	Sou. Pac.	A	100	504	500	30.00
5	Am. Tel. & Tel.	Baa	100	540	500	40.00
36				$2,551	$2,198	$175.00
	(2) Bonds.					
$500	Hukuangs, '51, 5s	Ba		$238	$225	$19.16
500	Jap. 2nd Ser., '25, 4½s	Aa		373	375	21.90
1,000	Ore. S. Line, '29, 4s	AAa		768	830	40.00
500	Canadian Gov., '25, 5s	Aa		435	450	21.96
550	Liberties, '32, 4¼s	Aaa		550	495	23.38
500	Liberties, '27, 4¼s	Aaa		415	445	21.25
$3,550				$2,779	$2,820	$147.65
1,900	Mortgages, '24, 7s	—		1,900	1,900	133.00
$5,450				$4,679	$4,720	$280.65

SUMMARY:

Total income:	
(a) Salary	$3,000.00
(b) Business	3,750.00
(c) Surplus:	
Stocks	175.00
Bonds	147.65
Mortgage	133.00
Total	$7,205.65

thus showing a yearly return of 51% on the investment.

Meanwhile the investment in my own business was showing a neat profit, so much so that I began to see the need of a more definite financial policy. Consequently my experiences were crystallized and I have now decided on the plan outlined below.

Business Policy

In view of the fact that I am more skilled and better informed in my line of manufacturing than in anything else, all of my time, efforts and money consistent with my family and my health shall be used to upbuilding and improving this one line. All other fields of endeavor must be secondary to this. It is here that I shall secure my funds to make me financially independent.

This is the real keynote of the entire scheme. Successful business organizations are built up only when the financial foundation is secure. This foundation is often secured by PLOWING BACK IN EARNINGS in the early stages. What is true of corporations will likewise prove true of the individual in this respect. I am, consequently, pledged to myself to return to investment fields all the earnings received from such investments held. The extent to which this goes can best be determined from the accompanying table.

Living Expenses

Keeping in mind the above, my plan requires that no part of this item shall come from capital or the income from capital. All such expenses are paid from salary. That is *I* earn them, not my money.

Insurance

Owing to the fact that my family can, if necessary, draw on other sources of support and protection I do not deem it necessary to carry heavy life insurance. I do consider it essential that sufficient be carried to prevent the sacrifice of investments during cycles of depreciated values. My plan calls for $10,000, which is now carried.

Speculation

Financial rewards are the result of two factors, (1) hard work, (2) assumption of risk. For my part I cannot assume great risks. I therefore must depend upon hard work, concentrated in my business and from which I cannot afford to divert my attention. My plan therefore eliminates all so-called "trading in stocks."

Real Estate

Inasmuch as the successful handling of real estate requires more or less time and attention my plan considers no such investment more than proves necessary for a suitable home.

Division of Capital

There are three main divisions under this heading. First, and by far the largest, is that required by the business. Second, is that necessary for a home. Third, a surplus or reserve consisting of stocks or bonds capable of being readily converted into cash when needed.

A number of times I have been tempted to divert a part of this last fund to apparently profitable issues, but which have lacked marketability. So far there has never been regret for not so doing.

Records

I find it a great help to keep accurate records which are immediately available for use. Attached is such a record of my present standing, a study of which should be made in order to show how the plan of salting earnings is working out.

Borrowed Money

I have always felt that so long as I was able to fairly assume the risk involved, I was justified in borrowing money. For the last ten years I have been regularly in debt, and I hope to be able to continue so. At the present time this debt amounts to $9,950, from four different sources, and with interest rates varying from 5% to 7%. Even with this condition all purchases of securities are made outright and no so-called "margin buying" is practiced.

The Future

This is probably the most difficult part to be analyzed, but a glance at the summary in the attached table shows that under the plan of putting back into investments the yearly income from other investments I will this year be able to increase the value of my estate about $4,200. While realizing that affairs do not always turn out as planned I have set as a minimum $5,000 as the annual increase for the next five years. Even at this rate I do not expect to be long on the road to financial independence.

The number of people who go on year after year paying little attention to their investments and trusting their future to some unknown providence is not to be estimated. Their name is legion.

Of the thousands who follow this course perhaps a few dozen get through unharmed. The rest of them wake up, just as Mr. "D. B." woke up, to discover that brains and self-education are the only reliable providence. They realize, sooner or later, that it does not pay to trust to fate.

When they do see the truth, some of them are too old to recover their financial equilibrium. Others have not the strength to start building over. A few have driving force enough to ignore the hurt and make use of the experience. They, like "D. B.," begin to concentrate on the problem of self-reconstruction.

And their success or their failure depends upon whether the decisions they subsequently reach are practical or visionary; and, in the last reckoning, upon whether or not they have character strength enough to stick to the rules and regulations which, in planning for the future, they decide to impose upon themselves.

Mr. "D. B.'s" experience with unimproved real estate is a common experience. It should not be construed as a reflection upon the possibilities of real estate as a form of investment. There is no more relation between unimproved real estate and the other kind than there is between a high class preferred stock and a cheap mining "pup." It should be accepted, as he very sensibly accepted it: A lesson well learned.

As for his affair with the Building & Loan Association, the progress of these institutions since the time when "D. B.'s" loan was probably made quite precludes a similar misunderstanding at the present time.

The financial policy which Mr. "D. B." has adopted we find a sound, sensible solution of his problems.

But his list of stocks selected can hardly be called entirely conservative. At the present time, as we figure it, he has lost 25 points on Union Oil, 4 points on Cities Service preferred, 37 points on Willys Overland preferred, 8 points on Cerro de Pasco, and 8 points on American Tel. & Tel. His only profit is on his Southern Pacific, which has advanced about 12 points from the price at which he bought it.

On an original investment of $2,551, Mr. "D. B." has a paper loss of $415, or approximately 16%.

The bonds chosen show a correspondingly small loss; and, since this investor himself states that he is not in a position to assume a heavy risk, we wonder why he does not profit from the story his Record shows. In other words, in the future we should think he would put a good bit more of his valuable funds in bonds and preferred stocks than he has done to date.

Discrimination against any one industry we do not urge; merely that small investors would do better to start out with the utmost conservatism, purchasing issues which are closest to earnings and assets of a corporation and, therefore, least susceptible of market fluctuations.

The bonds Mr. "D. B." has purchased can be endorsed without qualification. It is interesting to note that the Canadian issue can now be had at a discount of 13%; that is, the 5s, which are now quoted in Canadian funds at 92½ can be had at approximately 82, American money.

HOW SWINDLES ARE SOLD

There is no dearth of salesmen to deal in unreliable securities, in spite of the difficulty of disposing of stocks and bonds which any banker or business man would immediately pronounce worthless or questionable. Most of these salesmen are honest enough. They do their work because it pays.

If this force could be engaged in the sale of absolutely sound securities about which there could be no question on a basis of compensation, half or even a third as great as the commission they get on their present offerings, 90% of the shyster stock selling scheme would be put out of business, and the money now invested in them, plus probably twice as much again, would go into sound investment channels.

In France, for example, against the 6 billion francs held by the savings banks, probably 90 billion francs in the form of securities sold mainly by the French investment bankers are in the hands of the small investor. This enormous result was accomplished chiefly by the efforts of the selling forces of the great French investment banking houses offering securities to the people on a basis of interest return which, capitalized into the price of a security, allowed a broad margin of profit to cover distribution.—*Ingalls Kimball.*

Analyzing a Building and Loan Association

Union Home Builders' Plan Has Some Attractive Features But Might Be Improved in Spots

By WILLIAM ARMSTRONG

UNION HOME BUILDERS is a mutual building or home purchasing association and being under the supervision of the Banking Department of the State of New York, can be considered a sound proposition financially.

As to whether its plan of operation is as desirable as other institutions of a similar character in this State and elsewhere is open to question.

The Union Builders is conducted on the Serial plan. The applicant cannot join and immediately secure funds for home purchasing, but must await his turn in the series to which he is allotted. The length of time he has to wait for his opportunity to secure a loan, naturally, varies with the success of the series in being promptly filled. In the case of other building and loan associations conducted on similar plans, members have often been disappointed by having to wait much longer for a loan than they had expected.

He can secure his loan out of turn, in event of some other member not desiring to accept a loan when entitled to same. In this case a premium is charged for the loan. This is one weakness in this system, as it virtually is along the line of the old building and loan association system of auctions, which has been largely abandoned.

One of the attractive features of this union is that the member can borrow mortgage money at the rate of 4% per annum. This is an extremely desirable rate for past, present or future. But if a premium has to be paid for the loan, that is, if it is taken out of turn, then it must be added to the cost of the loan and this eliminates, to some extent, the 4% interest basis and to a degree the attractiveness of the proposition from that standpoint.

Payments Required

The payments required under this plan are at the rate of one dollar for each $100 of the face of the contract, which may be for $500 and multiples in that proportion up to $10,000. This contract may be carried to full maturity, which is for a term of 100 months, or, if the member's turn for loan is reached and he does not desire the loan, he can withdraw his money plus the premium that someone else has paid for his loan turn.

The company has some very liberal terms as to forfeitures or backward payments on loans. In case of sickness or misfortune, on application, these may be deferred for periods ranging from three to six months or even a year, without prejudice. Interest, however, would of course accumulate.

Before a loan can be secured, the member must have paid in at least 10% of the face value of his contract. If this contract is for $5,000 and when his number is reached he has paid in the amount of $500, then he can have the loan or he can make up the difference.

The contract of the union is a very complex affair, making up as it does three full pages of provisions, in fine printed type; and while it shows no "catch phrases," would probably be found confusing by the average person desiring only to deposit money with such an association for the purpose of securing a home purchase loan.

The applicant should, before joining, thoroughly understand that while his contract may call for say $5,000 and that this amount will be available to him as a loan when his number is reached, that is not the whole requirement. Many will naturally reach the hasty conclusion that having kept up their payments and reached their serial number the union will immediately hand over the face value of $5,000.

The union will pay over the money for the purpose, but not with the surrender of the contract as the only security. The contract states in one section "When this contract is entitled to a loan the Union Home Builders shall have sufficient time in which to appraise the *SECURITY* offered, before paying out any money, and will not pay, or lend, more than same will reasonably bear in the opinion of the Union Home Builders."

In other words, while the member can have the money he will have to have security for the amount of the loan, which is placed on the property as a mortgage. As the company could not loan out on a 90% valuation it can be seen that the member must have additional security other than his regular payments in order to purchase his home, putting the proposition on the same basis necessary to obtain a real estate loan from other sources. Of course if the member had paid in 50% or 60% of the face of the contract, the union could loan without further security, but it would take five or six years before the loan could be accepted in this manner.

Repayment of Loans

Loans made are repaid in the same way as other loans of this character, in small monthly installments. There are also loan values to the certificates.

An unattractive feature to the proposition is the fact that members cannot withdraw in cash, at any time, what they have put in, but if they desire to stop payments they will receive in lieu of cash, certificates to the amount of their payments, but these are not payable until the end of the series.

There are also undesirable forfeiture clauses whereby the first three months' payments may be lost entirely unless proper notice is given the union.

The condition clauses are so complex and many that we cannot go into them fully. Some are very excellent in their provisions. We find it necessary, therefore, to pass them over and give our conclusions.

We believe the union can safely be entrusted with funds. We believe that members from time to time will be able to secure loans and that the interest rate will be 4%, provided they do not borrow at a premium, but that they must have just as much actual security as is demanded by any other loaning corporation or association loaning on real estate.

Advantage Elsewhere

In our opinion, however, just as good results can be obtained from the saving standpoint by putting the money in other associations who permit the withdrawal of cash at any time and pay as high as 5% and 6%.

We believe that as the company has printed such an extensive contract, it could just as well add another clause stating specifically just what *ADDITIONAL* security a member must have, aside from his monthly payments, before he can secure his loan. It is because of the absence of this explanation in its printed matter and contract, that we feel disposed to withhold our entire approval of the union, as compared with the many other building loan associations who make this point clear to prospective members.

NATIONAL THRIFT WEEK

Why is John Smith, with his name on a bank book, likely to be a more important factor in his community than John Smith with funds uninvested? Because he has adopted a systematic and practical way of saving, and the man who has mastered the art of saving wisely will prove an economic factor by spending wisely, and investing his money in such a way as to bring intelligent returns.

How the bank account will establish for the individual a basic principle of thrift, which will be furthered by intelligent investing, spending, and expense recording is one of the points stressed in the observance of National Thrift Week. Thrift Week is a constructive movement inaugurated by the Y. M. C. A. in co-operation with the government, commercial and other associations with an economic program that aims to bring home to the nation the meaning of Thrift, and the personal and national benefits to be realized by a thrifty living. This movement is being launched all over the country, and is heartily endorsed by all the leading religious, civic and commercial associations. Banks are giving hearty co-operation.

Thrift Week will begin January 17, on the anniversary of the birth of Benjamin Franklin, and it is the spirit of that benign first disciple of Thrift that will be the governing one of the campaign. This program is based on the following 10-Point Financial Creed:

(1) Work and Earn. (2) Make a Budget. (3) Record Expenditures. (4) Have a Bank Account. (5) Carry Life Insurance. (6) Own Your Own Home. (7) Make a Will. (8) Pay Your Bills Promptly. (9) Invest in Reliable Securities. (10) Share with Others.

Insurance Questions and Answers

Problems Confronted by Readers Discussed—A Review of Some of the Companies

GOVERNMENT TWENTY-PAYMENT LIFE

Insurance Editor, THE MAGAZINE OF WALL STREET:

Sir:—Will you kindly tell me if the 20-year payment life insurance carried by the Government is paid in full at the end of twenty years? Also will you describe its advantages over the 20-year endowment policy?—W. J. D.

Answer.—The Twenty Payment Life Policy issued by the Government is entirely paid up at the end of twenty years, the insurance remaining in force from that time until the death of the insured. The Twenty Year Endowment Policy is also paid for by twenty premiums but at the end of twenty years from date of contract the amount of the policy is then payable and it is not necessary to wait for the death of the insured before payment of claim under the contract. During the twenty years when premiums are payable, both contracts pay the policy if the insured should die. He will, therefore, see that under an Endowment Policy the amount of the contract is payable at the end of the endowment period instead of waiting until the death of the insured as is true under the Twenty Payment Life Contract. For this reason the Endowment Policy is, of course, more expensive than the Twenty Payment Life.

INSURANCE FOR A BUSINESS WOMAN

Insurance Editor, THE MAGAZINE OF WALL STREET:

Sir:—How can a single, professional woman with no dependents best provide for her future? There must be thousands of women like my sister. She is making a living now, but an extended illness would cause her to lose her position. Also, in about twenty years, she will be too old to earn much. I thought of a combination of Sick Insurance and Deferred Annuity, but the rates are, I consider, extortionate. She cannot spare over $25 or $30 a month for such a purpose.—R. A. A.

Answer.—A single, professional woman without dependents, needs protection for her old age and protection in case she is unable to continue at her work before reaching old age. I believe that she should also have a slight amount of insurance to cover the usual expenses of her last days. I cannot think of any better contract for a woman in this position than the Ideal Contract for Business Women issued by the Travelers Insurance Company. For an annual premium of $374.86, which is about $31 a month, the Travelers would issue to a woman aged thirty-five a contract providing $1,000 at her death with waiver of premium in case of total and permanent disability before age sixty and a contract providing $100 a month for life, beginning at age sixty with Disability Provision providing for the payment of $100 a month beginning six months after proof of permanent and total disability if the insured should become totally and permanently disabled before reaching age sixty. The above-mentioned premium would be payable until age sixty unless the insured were permanently and totally disabled.

RELIABLE COMPANIES WITH LOW PREMIUMS

Insurance Editor, THE MAGAZINE OF WALL STREET:

Sir:—I am writing for advice in the matter of life insurance. I am 45 years old and wish to take out a 20 or 25 payment policy for $5,000. Will you kindly advise me what company or companies will probably be the cheapest and still be dependable—as good as the best? What do you think of Postal Life Insurance Company?—G. E. D.

Answer.—There are, of course, a number of strong companies whose premiums would be among the lowest for an insured aged 45 who desires to take out a Twenty Payment Life Contract. The Travelers Insurance Company is the leading exponent of guaranteed low cost insurance and its rate for a Twenty Payment Life Policy at age 45 would be $36.47 per thousand, or $38.77 per thousand if the best Disability Clause is included.

The Postal Life Insurance Company of New York began business in 1905. The chief characteristic of this company is that it employs no agents, securing all its business by advertising and correspondence. It has reinsured various companies from time to time, which has given it a large part of its business. The company shows a moderate surplus and its actuarial methods are sound. According to the latest information that I have, the amount of insurance in force has been decreasing for the past few years. The company is licensed in New York but insures residents of all states by correspondence.

THE extremely practical series of articles on the subject of insurance published in recent issues of THE MAGAZINE OF WALL STREET *has attracted widespread attention. A group of typical inquiries aroused by these articles, and answers thereto, is published on this page for the benefit of our readers.*

The advice of our staff on matters of insurance is free. Any information relative to this subject will be gladly furnished on receipt of a stamped envelope, or through the medium of these columns. Letters should be addressed to the Insurance Department.

EQUITABLE LIFE OF IOWA

Insurance Editor, THE MAGAZINE OF WALL STREET:

Sir:—Can you give me any information as to the stability of the Equitable Life Insurance Company of Iowa? I have recently been solicited for insurance by their representatives and desire to assure myself of their standing before I commit myself.—H. B. H.

Answer.—The Equitable Life Insurance Company of Iowa has had a steady and consistent growth. It invests mostly in mortgage loans which give a good return. Until 1918 it had an excellent mortality record. The company was last examined by the Iowa Insurance Department as of December 31, 1918, and the department remarked upon the persistency of the company's business. Business written prior to October 21, 1907, is on the Actuaries' 4% Reserve and business written since that date upon the American 3½% Reserve.

PROTECTED HOME CIRCLE AND STANDARD LIFE COS.

Insurance Editor, THE MAGAZINE OF WALL STREET:

Sir:—Several weeks ago, while enjoying my copy of the MAGAZINE, I noticed your invitation to write concerning insurance problems. It is my misfortune now to need just the kind of friend you offer to be.

When I was 17 years of age, my father took out a policy of life insurance for $2,000 in the Protected Home Circle. That was 9 years ago. Since he died, 5 years ago, I have been paying the monthly premiums and dues, which amount to $1.65 per month. It is a straight life policy, no cash surrender value, or paid up insurance value, etc. If I withdraw, they have all; I will get nothing.

A very good friend of mine who sells insurance for the Standard Life (a Pittsburgh concern) advised me to get out of the P. H. C. and go into his company. I did the latter to the extent of $4,000 but am uncertain whether I should let loose from the other. His reasoning sounds pretty good and it goes like this: The P. H. C. is doing business with a reserve of slightly over a million while they have nearly 100 million insurance in force; they must depend upon a very large increase in membership each year and if this should ever start on the downward path, then the P. H. C. would go the way of some of the other fraternal organizations we have known. My trouble is that I hate to give up what little I have paid unless I am reasonably certain that they will go under before I (or those I leave behind) have need of them, and of course I hope to live my allotted three score and ten. In addition to the $4,000 above mentioned, I have $5,000 in the Mutual Benefit which will be paid up in about 30 years. The policy with the Standard is a 14-year affair. My premium for the $5,000 is $92 a year and for the $4,000 is $129. Of course I would like to have $11,000 instead of $9,000 but, at the premium on a 20-pay basis, it would be a larger yearly total than I would care to attempt. Although I will be paying the

(*Continued on page* 211)

Public Utilities

Bonds and Stocks

Photos. by Brown Bros.

At the left—The steam-driven "dinkey" locomotive first used on the Interborough "L." Center picture shows the subway entrances in City Hall Park at the entrance of the Brooklyn Bridge and at the right, excavation of the 4th Ave. subway line.

Interborough Rapid Transit Co.

Interborough's Future

Outlook on a 5-Cent Fare or Increased Fare—What Are the Prospects of Its Securities?

By **PALMER CLINGMAN**

THE Interborough Rapid Transit Co. has been operating at a loss for several years and has failed to earn its fixed charges. As a consequence, its securities have greatly depreciated, and there is a general apprehension of a pending receivership. In view of the large amount of Interborough securities outstanding, an analysis of what the future holds for the company may be of interest, and it is believed that the conclusions reached will tend to reassure the anxious holders of these securities.

Why the Poor Showing?

The reasons for the poor showing of the Interborough for the years 1919-1920 and the present fiscal year of 1921, are threefold:

(1)—The prevalent high cost of operation.

(2)—An increase in operated mileage of more than 100% during the last three years without a corresponding increase in traffic.

(3)—The inability to secure an increase in fares.

As regards the present difficulties of the Interborough, the contributory factor of the high cost of operation has of course been general with all public utility companies in the country. In the case of the Interborough it has been most pronounced because of an organized operating force which has never been backward about demanding higher wages. The cost of fuel and other supplies used in operation has likewise climbed skyward.

Expenditures for labor in 1920 are more than double those for 1917, and the company has paid as high as $12 to $15 a ton for fuel which formerly cost it between $3 and $4. At the present time it has contracts with several large operators to supply it with fuel in the neighborhood of $9 a ton. It is believed that the present prices for fuel and labor now obtaining on the Interborough are about at the peak, and it may be expected that within the coming period of years the ratio of operating costs to gross income will be reduced. This ratio was about 40% for a long period of years prior to the war, but for 1920 rose to 61.5% and is now about 67%. A reduction of 25% in operating expenses within 5 years, which may be realized, would bring the ratio down to 50%. A wage reduction on the Interborough, however, would be much more difficult of accomplishment than in an industrial plant which does not have to keep operating when it can not make money and which, as in the instance of the woolen mills, might have shut down indefinitely if the employees had not accepted a decreased scale of wages.

In regard to the additional mileage which the Interborough is now operating, and which has all been put into service within the last three years, a large portion of this mileage is for the time being in unproductive territory, and a portion of it lies along a practically parallel route to the former existing subway. Although the mileage of the system has doubled, traffic has increased less than 40% during the same period.

In many instances, the opening of new subway lines has simply reduced the travel by trolley road passengers, inasmuch as they would eventually use the subway or the elevated lines to reach their final destination. This means that the Interborough has been carrying the same passengers a greater distance for the same fare. Nevertheless new traffic centers have been established which will ultimately prove profitable.

As a result of the higher cost of operations and the increased mileage the company has been unable to earn its fixed charges on its notes and 5% bonds, and is now operating at a deficit. As of course no dividends have been available from Interborough Rapid Transit Stock, the Interborough Metropolitan 4½s have been in default, inasmuch as the Rapid Transit Co.'s dividend provides for this interest payment. This has resulted in the holding company, The Interborough Consolidated Co., being thrown in the hands of a receiver.

In fact, the Interborough Rapid Transit Co. would also be in receivership if interests friendly to the company had not loaned on certain collateral belonging to the Interborough which was of a nature ordinarily impossible of hypothecation. These funds thus provided for the payment of interest on its securities. On January 1, 1920, it was necessary for the Interborough, however, to dispose of certain real estate holdings to provide part of this interest fund.

Still Hard Pressed

The approaching interest date, January 1, 1921, again finds the Interborough hard pressed to make this payment, so that one unacquainted with the situation might expect the possibility of a receivership. It is believed, however, that a receivership will not result, for should it occur the losses which the junior security holders would sustain would be much greater than would the immediate drain upon their funds by again tiding over the interest payment, as was done last year.

As a possible source of funds in an extremity, a sale of the Hotel Belmont has been suggested, for among the holdings of the Interborough is the capital stock of the Subway Realty Co., owner of the Hotel Belmont. The hotel has appreciated in value nearly $1,000,000 since the time of its being placed under the mortgage securing the I. R. T. 5s as indicated by its assessed valuation. While the mortgage reads that the trustee may accept a substitution of collateral of equal value to that placed under the mortgage thus permitting the sale, this transaction does

not appear likely in the immediate future, as the property is leased for 5 years more and a new owner would be prevented from immediately realizing on his investment in proportion to the present scale of rentals in that section of the city.

Another mythical source of funds must likewise be forgotten. I refer to one of the items which the daily "press" has frequently misinterpreted. This item appearing in the company's balance sheet, is the "profit and loss surplus" account which was $7,093,101 as reported for June 30, 1920.

This surplus does not represent cash, as it is comprised almost entirely of advances made to associated companies, which are impossible of liquidation, to wit: The Interborough Rapid Transit Co. has made advances to the New York & Queens County Railway Co. for a number of years in the expectation that it would ultimately prove to be a profitable investment. The Queens County line would have been compelled to suspend operations but for this assistance. Another portion of the advances were made to the Rapid Transit Subway Construction Co., and are direct loans to enable that company to complete sections of the new subway. A final settlement of accounts between that company and the city has not yet been reached.

Attempts to Gain Higher Fare

The Interborough Co. has made every possible effort to secure an increased fare. This increase has been denied by both the city authorities and by the Court in failing to uphold the Public Service Commission as having a right to make an adjustment. The local authorities have made great political capital out of the fact that they have held the Interborough to the present rate.

While in the past the Interborough made large profits, at the present time the company would seem to merit an increased fare, for it cannot earn its fixed charges. The only element in the fixed charges of the Interborough that might be subject to question is the rental for the Manhattan Elevated, part of which consists of 7% upon its $60,000,000 stocks. A valuation would show whether or not this is an appropriate charge, or should be scaled down. The situation in this regard is complicated and perhaps presents an obstacle to a protective fare increase as regards fixed charges only.

The Interborough is, of course, justly seeking to get a fair return upon its capital investment. An increase of one cent would take care of all company fixed charges, but the rate which would take into consideration the fixed capital of both the company and the city should be decided upon the merits of the company's claims and the rate should be a flexible one, so that as operating expenses decline the fare would do likewise.

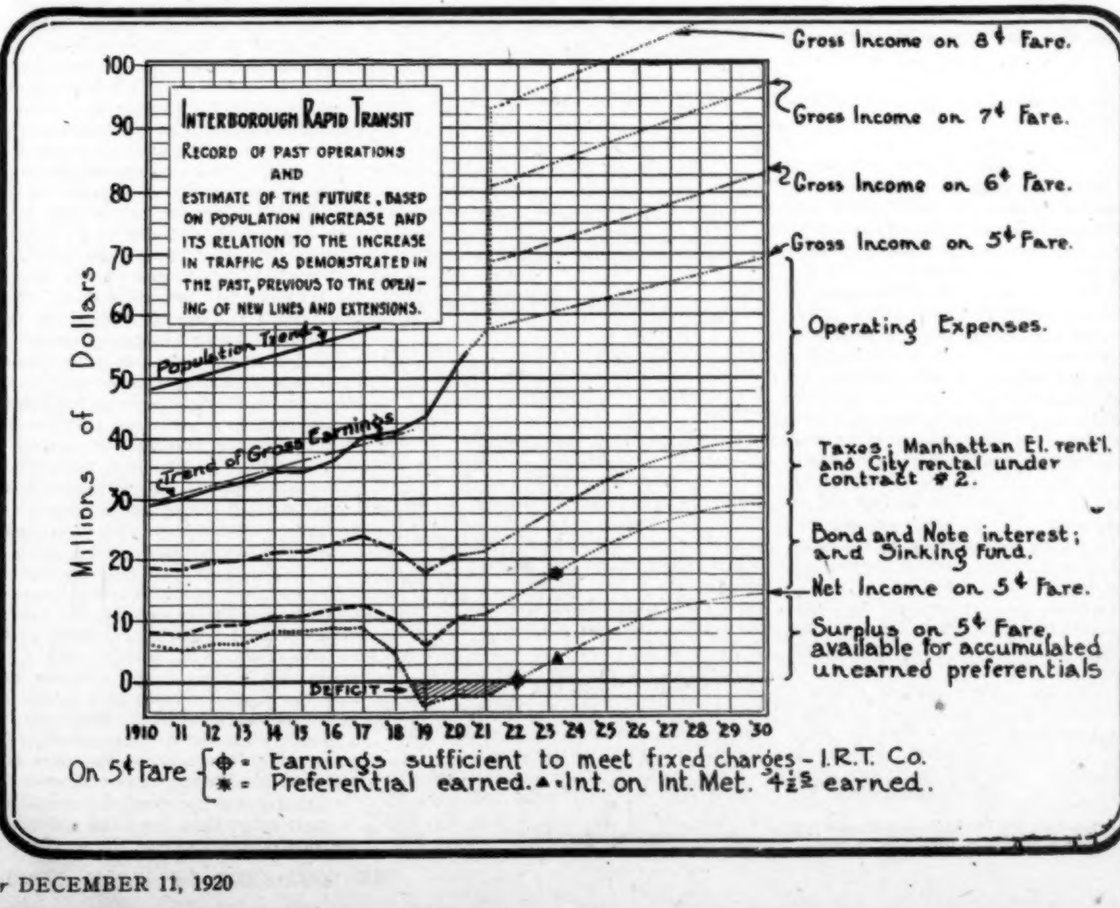
Whatever the merits of the company are in seeking this increase, the final outcome of the situation is likely to be favorable if the company can weather the present crisis. While the present situation is admittedly bad, it seems reasonable to anticipate a restoration of earning power in the not far distant future, as will be demonstrated further on in this article.

The possibility of a fare increase on the merits of the subway division of the Interborough are not nearly as strong as they are on the elevated and surface railways, in and about New York City, for The New York Railways Co. and the Brooklyn Rapid Transit Co. have gone so much further in the hole than the Interborough, that the likelihood of a fare increase depends more upon the showing that they have made than the subway of the Interborough system. Should an increase be forthcoming to the New York Railways Co. and the Brooklyn Rapid Transit Co., there would, of course, be a simultaneous increase to the Interborough, so that in view of its relatively improved position over the other companies, it would benefit all the more.

Factors in Present Situation

Before we consider the future prospects of the Interborough and its securities, let us review the contributory factors to its present difficulties. It appears that the elevated lines have been losing at the rate of upwards of $4,000,000 a year, and that the company has further sustained a loss from the operating of the Borough of Queens surface lines of about $600,000 a year.

The subway division for the last year operated at a surplus, not allowing, however, for any return upon the city's investment of about $75,000,000 in lines operated. This clearly demonstrates the earning power of the subways as compared with the elevated, for even with the new mileage in operation, the subway was able to earn a surplus. The operating



ratios of both the elevated and subways are not very different. The difference is not in operation but in the fixed charges of the elevated which the Interborough has to pay, whereas the construction cost of the subways in operation was furnished partly by the city. The continuance of the rental by the Interborough of the elevated lines seems likely, inasmuch as the Interborough has spent over $40,000,000 in improving these lines and any claim which the Interborough would have for these improvements might be largely offset by counter claims resulting from a breakage of the lease. For this reason there would seem to be no expectation of a relief from this burden.

As to the deficit accruing from the New York & Queens lines, it may be pointed out that the Interborough should be able to tighten up its operations on these lines. It is now operating some cars on these lines which were originally designed for the Queensboro subway. They are of steel, very heavy, and involve a high operating expense, and also a high expense for maintenance of way. The one-man safety cars which have so lately come into favor should find a most useful application on the Queens County lines, and it is believed through their operation they would greatly reduce the deficit now accruing to the Interborough from these lines.

At the present rate of earnings, as reported by the Interborough for both the Manhattan and the subway divisions a deficit of at least $2,500,000 will result on June 30, 1921, the termination of the 1921 fiscal year. This is practically the same as that of the fiscal year 1920. This estimate has been derived by taking the 4 months' reported earnings for the current fiscal year and also taking into consideration the seasonal variation in traffic.

Looking Ahead

Let us see what will happen after the year 1921.

We will first estimate the gross earnings. The new subway lines will practically all be in operation by the close of this year, December 31, 1920, so that an increase in traffic, as derived from first operations in new territory, will no longer be expected. At what rate will traffic increase then? Let us see what happened on the old subway lines before 1917. There seems to have been a regular annual increase which was practically the same as the increase in the population of the city. In fact, the two rates are almost identical. It would seem that with the increased facilities for travel that we may at least expect a similar increase in population of the city, and a corresponding increase in traffic over the next period of years to come. We will thus assume that gross earnings will increase at the same rate that they did previous to the opening of the new subway lines.

As to operating expenses, our own estimate seems to indicate that the operating ratio may be expected to decrease within the next five years, so that instead of being 67%, the present amount, it would be perhaps in the neighborhood of 50%.*

The remaining items deductible from income are easily computed. Rentals on the Manhattan lease and to the city under contract No. 2 will be substantially the same as previously. Taxes will perhaps increase slightly. Bond interest will increase perhaps at the rate of one-half million dollars per annum by 1925. This on the assumption that the Interborough will have to raise $7,500,000 at 7% to be spent on additional equipment as estimated by Day & Zimmerman, engineers.

The Interborough Co. states that with the exception of boilers their power station facilities are now in 20% excess over their maximum demand; in other words, they will take care of a 20% increase in load, so that the additional traffic for the 5-year period will be handled easily by the present power station facilities with additional boiler capacity.

How the Graph Was Made

In the event that the Interborough can overcome its present difficulties we may make a prediction for the future by graphically presenting these facts and estimates. We are thus able to project our earnings, operating expenses and interest charges to the year 1925, and thus we note that by the end of the year 1922, the close of the fiscal year being on June 30, 1922, that the company will be breaking even on its fixed charges, so that a deficit in operation after that date will no longer result. We further see that between the years 1923 and 1924 that the company will be earning its preferential and that thereafter earnings will be on a sufficient scale to permit the retention by the company of accumulated preferentials which have been unearned and this all on a 5-cent fare. These estimates will, of course, depend upon our assumption that the ratio of operating expenses to gross earnings declines 25% in the 5-year period and would be shaded one way or the other accordingly, depending on just how prices decline.

Supposing, however, that either upon its own merits, or through the relatively worse position of the New York Railways Co. and B. R. T. that a fare increase is granted the latter lines, the Interborough would at the same time be granted a fare increase, for otherwise the policy would be a confiscatory one. Let us see, then, how it would benefit from a 6, or 7, or an 8c fare.

Each cent increased fare means approximately $10,000,000 increase in gross to the Interborough, subject, however, to any deductions which the higher cost of fare would make in the riding tendency of New Yorkers.

The effect which these increases would have upon net earnings is indicated as follows: After the deduction of the Interborough preferential amounting to $17,500,000 the surplus is available for further deduction of accumulated preferentials which to the present time amount to about $16,000,000. When, however, all accumulated preferentials have been disposed of, the surplus, after deduction of the current preferential is subject to a deduction of $8,750,000, this amount representing the city preferential and also a deduction of 1% for a reserve fund. The balance of surplus then remaining is divisible equally between the city and the company.

Even upon a 6c fare the Interborough would earn its preferential and upon an 8c fare would be able within the first year to make up $10,000,000 on its $16,000,000 accumulated unearned preferentials. In the second year all the previously unearned preferential would be made up and the city would begin to get a return on its investment. The showing on an 8c fare is thus most favorable.

Whatever the chances are of obtaining increased fares, and there is but little doubt as to their present justification, it would appear that the difficulties of the Interborough are but temporary, that the great stakes involved will act to spur on the junior security holders and others interested to assist in providing the necessary funds to pay the interest charges on the Interborough Rapid Transit bonds and notes. The Interborough Rapid Transit bonds seem particularly secure as to both interest and principal; in fact, if the preferential which the Interborough is to receive on its investment is unearned, we know it becomes cumulative. A point which, however, is not generally known, is that this preferential when unearned, at the expiration of the contract with the city would constitute a claim against the city of New York, as contract No. 3 reads that "upon the expiration of the contract any unliquidated claims or obligations arising out of operation shall be paid from the contingent reserve fund and if that fund be insufficient the payment of the balance shall be adjusted between the City and the Lessee and if not agreed upon between the Commissioner and the Lessee shall be determined by court."

Conclusions

The Interborough is at the present time apparently deserving of a fare increase commensurate with the capital which it has invested in the property. Failing to obtain an increase sufficient to make a reasonable return on this investment the company should endeavor to secure a guarantee such as is now in effect in Boston, whereby a deficiency in earnings is made sufficient to meet charges by a tax levy upon contiguous property to the system lines. Failing to secure this guarantee the company should try to fund its floating debt over the present period of high costs. If the company cannot weather the present crisis through outside help a receivership will result. Within the next few years operating expenses should be on a decreasing scale and gross income more nearly in proportion to the investment which the Interborough has made, so that even on a 5-cent fare Interborough securities should gradually be restored to their pre-war level. The situation is unique inasmuch as the Interborough will benefit from declining prices without reflecting a business depression to any great extent in gross earnings. The I. R. T. 5s seem secure as to both principal and interest and the Inter. Met. 4½s have attractive long pull possibilities, subject, however, to a possible assessment in the present crisis. The Interborough Cons. stock both preferred and common is a long way from dividends on a 5-cent fare and it is impossible to forecast with any accuracy when the earnings of the company would be sufficient to make such payment, for it must be remembered that the Interborough preferential is insufficient to meet other than the fixed charges of the two companies.—vol. 26, p. 178.

*The Interborough officials are not optimistic of as great a decline as from 67% to 50%.

Mining

Ray Consolidated Copper Company

Copper Metal Reaction Hampers Biggest Producers

Ray Consolidated, Despite Huge Reserves, Going Through Period of Uncertainty in Company With Others

By C. S. HARTLEIGH

THE Ray Consolidated Copper Company was organized in May, 1907, under the laws of Maine, with a capital of $6,000,000. In 1908 the capital was increased to $8,000,000, in 1909 to $10,000,000, in May, 1910, to $14,000,000, and in March, 1912 to $16,000,000. The last increase was to provide shares for the absorption of the Ray Central Copper Mining Company, one share of Ray Consolidated being exchanged for eight shares of Ray Central. Of the present capitalization, 22,821 shares of a par value of $10 remain unissued. Ray Consolidated absorbed the Gila Copper Company through the exchange of stock, giving one share for three. The company owns the entire capital stock of the Ray & Gila Valley Railroad Company. The shares are listed on the New York and Boston Stock Exchanges.

The company owns 1,970 acres of mineral land at Ray, 130 acres at Ray Junction for railroad purposes, and 4,164 acres in Gila and Pinal counties, near Hayden, and 21 miles from the mine, for milling and power plant purposes. Of the land near Hayden, 536 acres are leased to the American Smelting & Refining Company for its smelter.

The Ray Ore Deposit

The Ray Consolidated ore deposit is similar to that of Miami, and resembles the deposits at Bingham, Ely and Morenci. The deposit is flat, and is about 9,000 ft. long, from 1,000 to 3,000 ft. wide, and varies in thickness from 150 to 500 ft. The upper portion of the ore zone is a silicified, white rock, leached to a depth of 30 to 400 ft., and is underlain by ore carrying copper sulphides, greatly enriched by the secondary redeposition of chalcocite, which constitutes the main ore value. At the bottom of the orebody the transition from the enriched secondary ore to the primary sulphide ore takes place within a few feet. The secondary ore varies in value from 2% to 2.5% copper, with zones of higher grade material, varying between 5% and 6% copper. The primary mineralization averages about 1% copper.

Mine Development

About 183 acres of mineral ground have been developed, but drilling operations indicate that about 580 acres of the property is mineralized and will probably contain workable deposits of copper sulphide ore. The shape and size of the orebodies in the Ray properties have been determined by numerous churn drill holes sunk from the surface, and by extensive underground workings. Many of the churn drill holes have reached a depth of 400 ft., and they are as a rule sunk at the corners of 200 ft. squares. About 140,000 ft. of drilling has been done. The development shows that the orebody on Ray ground is about 120 ft. thick, and overlain by about 240 ft. of capping; and on the Gila property the ore is about 170 ft. thick, and covered by a layer of capping 315 ft. thick.

THE copper industry is passing through a period of severe depression, the end of which cannot be determined now. Most copper producers, however substantial, are losing money under present conditions, and Ray Consolidated is no exception. Its deficit during the last quarter was $446,443.

The larger producers are between two fires. They must either continue to produce at a loss, or shut down temporarily, with a consequent disintegration of organization and rapid deterioration of mine workings. Either alternative is unfortunate.

The Ray mine has been developed by underground workings over a horizontal area of about 3,500 ft. by 8,000 ft., and there are four principal shafts, the deepest being about 450 ft. The two shafts through which most of the ore is hoisted are about 4,000 ft. apart, and are connected by a drift on the second level that runs through commercial ore for a distance of more than a mile. There are four principal levels for haulage and development purposes. Most of the ore is within 300 ft. of the surface, and for some time to come the bulk of the tonnage will be hoisted from the 170-ft. level and above. The total underground workings aggregate about 135 miles, of which mining operations have destroyed about 70 miles. New development operations amounted to 66,863 ft. in 1916, 84,915 ft. in 1917, 61,711 ft. in 1918, and 31,079 ft. in 1919. The falling off in development work during the last year is due to curtailment of production. The total development since the beginning of operations, to the end of the year 1919, was 742,093 ft., or about 140.5 miles. Mining operations to the same date have destroyed 397,954 ft., and there remains intact 344,139 ft., or approximately 65 miles. During 1919 sufficient development was completed to make ready for active mining a tonnage of ore equivalent to that extracted during the year, so that operations may be resumed on a full tonnage basis whenever the metal market conditions warrant.

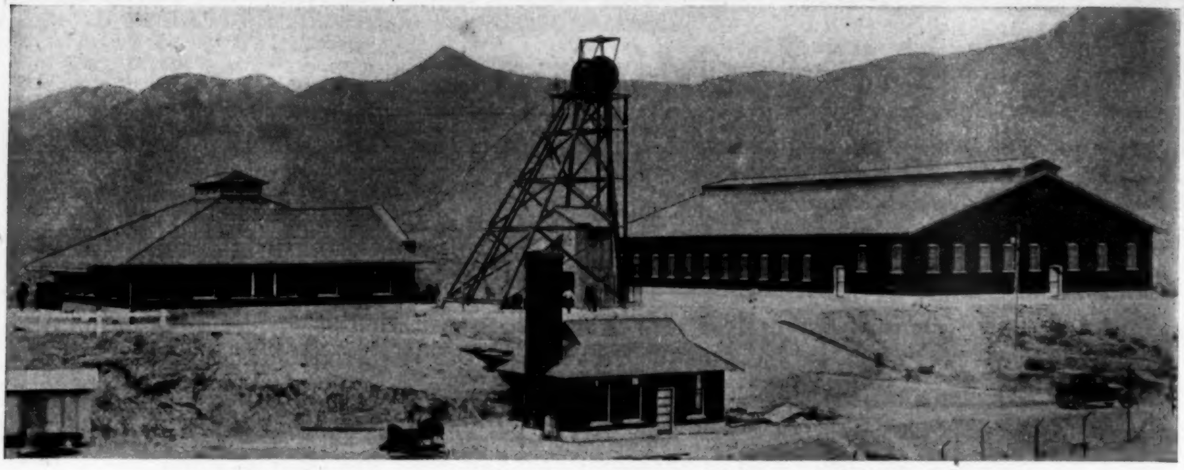
Ore Reserves

The total ore reserve on Dec. 31, 1919, was estimated at 84,736,384 tons, averaging a little over 2% copper. The existence of additional ore below the bottom of the churn drill holes on the third level of the No. 2 mine is assured, but work on this level during the past year was confined to preparing for active mining operations a large block of ore in which initial development had been completed. Little or no development of an exploratory nature has been accomplished during the past year. The present estimated reserve would last about 24 years, assuming an annual tonnage of about 3,500,000 tons.

Production

In view of the unsatisfactory conditions in the copper market, mining operations were curtailed at the beginning of 1919, and the production of ore from all sources has been materially reduced. The total production during 1919 was 1,648,174 tons, as compared with 3,476,749 tons in 1918. This is equivalent to a reduction in average daily production, from 9,525 tons to 4,516 tons. During the same period the average grade of the ore increased from 1.654% copper to 1.83% copper. The necessity of reduced tonnage output from the mine during the year compelled the suspension of mining operations in some of the producing sections. In effecting this reduction it was found more economical to cease operations in the lower grade areas, and confine activities to the higher grade ores. During the third quarter of 1920 there was milled 443,100 dry tons, averaging 1.761% copper. This tonnage corresponds to a daily average of 4,816 tons, as compared with 5,040 tons for the second quarter, and 4,725 tons for the first quarter of 1920.

Tonnage of ore produced from the mine during the past nine years, together with its average copper assay, are shown in Table No. 1. The net production of copper, and the cost of production, for



NO. 4 SHAFT, SHIFT AND GANG HOUSES OF THE RAY CONSOLIDATED COPPER CO.

the same period, are given in Table No. 2. The gross production of copper in concentrates, for the first nine months of 1920, are given in Table No. 3.

Milling Equipment

The company's concentrator occupies a 4,000-acre site at Hayden. It is similar to the Garfield mill of the Utah Copper Co. The plant has a capacity of 8,000 tons of ore daily. The concentrates are well adapted to smelting, only a small amount of limestone being required for fluxing. The concentrates are treated at the Hayden smelter of the American Smelting & Refining Co. The power plant has a capacity of 10,000 h. p., and supplies electric current for the operation of the entire property.

Effect of Copper Market

Ray Consolidated, like all other large copper producers, is suffering from the present low market price of copper. At this time the company is losing money, and it faces the same unfavorable alternatives that other producers are now viewing with alarm. It must either go ahead and produce a certain quantity of copper at a loss, in order to keep its organization intact, or it might shut down until market conditions improve, and face the danger of the disintegration of its operating organization, and the deterioration of its mechanical equipment and its underground workings. Recently, the company has laid off 200 more men.

The company's operating profit was $587,165 for the first quarter of 1920, $343,650 for the second quarter, and during the third quarter it sustained a loss of $113,518. The company has maintained its quarterly distribution to stockholders during the first three quarters of the year, and has paid out each quarter the sum of $394,294.75. After allowing for miscellaneous income, the company had a net deficit of $7,039 for the second quarter, and a deficit of $446,443 for the third quarter. If present market conditions continue, it will not be surprising if this company, along with other large copper producers, should cut or pass its dividend.

Future Outlook

The company's production during the past few years has surpassed that of Chino and Nevada Consolidated, both of which are older mines. Ray Consolidated has more constructive possibilities than any of the other porphyries. Equipment is complete and efficient, and future construction expenditures should be small. In point of ore reserves, the property may be considered among the six greatest copper mines, and there is a possibility that these reserves may be increased. The management is strong and experienced.

TABLE I—RAY CONSOLIDATED

Year	Tons Ore Treated	% Copper
1911	681,519	1.830
1912	1,505,875	1.677
1913	2,365,296	1.719
1914	2,427,700	1.760
1915	2,848,969	1.673
1916	3,332,340	1.607
1917	3,560,900	1.635
1918	3,411,000	1.613
1919	1,621,600	1.814
1920*	1,331,700*	1.722*

* First nine months.

TABLE II—PRODUCTION AND COSTS

Year	Pounds Copper Produced	Cost Cents per lb.
1911	14,935,047	10.765
1912	35,861,496	9.928
1913	52,341,029	9.874
1914	57,004,281	8.339
1915	60,388,936	9.497
1916	74,983,540	10.134
1917	88,582,649	12.649
1918	88,599,160	17.695
1919	46,011,371	15.680*

* This cost does not include Federal Income and Profits Taxes, for which no reserve was established in 1919, and does not take into account credits for the value of gold and silver, and miscellaneous earnings. The Federal Tax reserve set up in 1918 was 1.58c per lb.

TABLE III—GROSS PRODUCTION OF COPPER IN 1920

Month	Pounds
January	3,891,710
February	3,783,044
March	3,872,349
April	4,153,305
May	4,211,880
June	4,515,414
July	4,541,140
August	4,479,657
September	4,008,636
Total	37,457,135

TABLE IV—DIVIDEND RECORD

Year	Dividends
1913	$1.12½
1914	0.75
1915	1.25
1916	2.75
1917	4.20*
1918	3.25
1919	2.00
1920	1.00†

* Includes special payment of 20c for benefit of Red Cross, and 50c capital distribution.

† Paid 25c in March, June and September, 1920. Present rate 10% on $1 per share.

Conclusion

In recent markets Ray Consolidated Copper shares, in company with other copper issues, have suffered a decline, and the immediate outlook for recovery is decidedly discouraging. One should not be hasty in purchasing copper shares at this time on the theory that they are low and near the bottom, because they may remain near the bottom for some time to come. On the other hand it might be risky to sell copper shares for the purpose of buying them back at substantially lower levels. This holds true for Ray Consolidated shares, which were quoted as high as 22¾ on Jan. 5, and sold down to 10, or par, on Nov. 18.

CANADIAN CROPS HELP EXCHANGE

Economists are counting upon seeing an appreciable reduction in the exchange rate on Canadian money in the United States after the marketing of Canada's stupendous agricultural crops of 1920, the gross value of which will exceed $2,500,000,000, an amount sufficient to wipe out Canada's national debt and still leave a nice little nest-egg for every Canadian man, woman and child.

The value of five coarse grain crops alone will total $1,250,366,000—an increase of 57% over 1919.

The per capita value of Canada's field crops in 1920 is $227 compared with $165 in 1919. The per capita value of the United States crop in 1919 was about $122.

The gross value of Canada's agricultural products represents an average of $3,335 per farm compared with $2,634 in 1919.

This showing augurs well for Canada's general well-being in 1921.—*Bookseller & Stationer.*

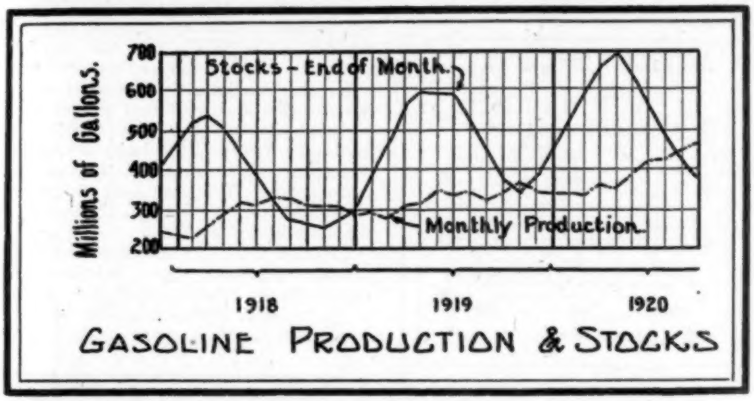
Petroleum

No Inflation in Crude Oil Prices

Authorities Scout Possibility of Extensive Price Reaction—Statistical Position of Industry Strong

By C. N. LINKROUM

THERE will be no appreciable reduction in petroleum prices. This is the consensus of opinion of leading interests in the oil industry. The outstanding feature of the recent annual meeting of the American Petroleum Institute was the practically unanimous position taken in regard to the future demand and prices. The principal question discussed was that of obtaining adequate supplies to meet future needs.



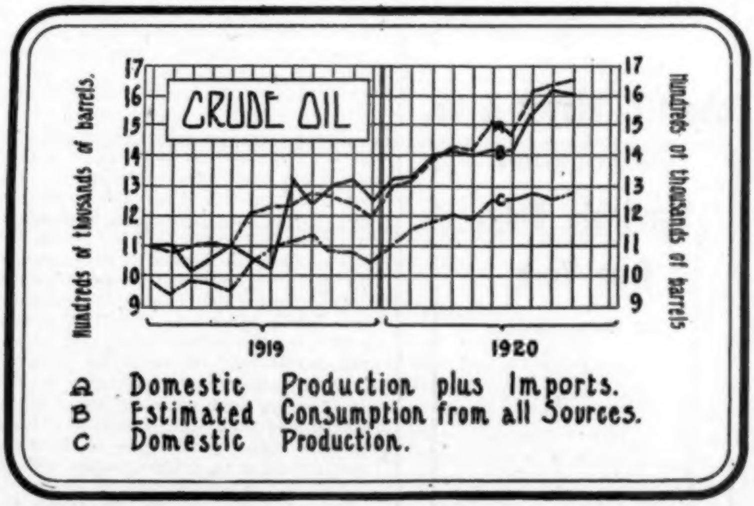
In view of the feeling expressed in many quarters that oil prices must come down along with other commodities, it is interesting to note the opinions expressed by leaders in the petroleum trade, men who are familiar not alone with local conditions in the business but also with world conditions of trade and finance.

The opinion of Walter C. Teagle, president of Standard Oil Company of New Jersey, should be regarded about as highly as that of any man who follows oil trade conditions. Mr. Teagle says: "The world's petroleum situation as it exists today is this: The demand is keeping pace with production and bears every promise of expanding in future as rapidly as more crude can be supplied. The average increase in the world consumption in the past decade has run about 11% per annum. No matter what prodigious labors the producers perform, the world still clamors for more oil to meet its insatiable hunger. Who would have ventured to predict a few years back that the United States alone could absorb, in addition to its own greatly augmented production, 120,000,000 barrels of petroleum in a single year from an outside source of supply? Yet, that is what it has done this year and the refiners can take a larger quantity from Mexico in 1921 without injuring the market for the higher grade domestic products. No more striking indication of the growth of demand could be desired than the manner in which this huge output from Mexico has been swallowed up, largely in a new market, without disturbing in the slightest degree conditions in the older producing fields here. It is a conservative estimate that the world consumption, which in 1910 was 327,000,000 barrels, and this year 615,000,000 barrels, will call for close to 700,000,000 barrels in 1921."

President Benson's View

Mr. R. D. Benson, president of the Tide Water Oil Company, takes the stand that production sufficient to supply the demand can only be furnished by maintaining adequate prices. Mr. Benson says: "In the early part of the year the Federal Trade Commission was intrusted, under the Dyer resolution passed by Congress, to investigate the petroleum trade and learn why there had been so considerable an advance in prices since the close of the war. It was not at all difficult to prove that, if there had been no advance, there would have been an oil famine. A prominent producer was asked by one of the commission's examiners what was necessary to bring about an increase in production sufficient to avert a famine. The answer was: 'Three dollars and a half a barrel for Oklahoma crude,' and this has evidently proved correct, bearing out my point that, given the price to warrant the risks of the business, producers will find the crude."

Mr. Benson points out that whereas in 1895 there were 7,138 wells completed and the price of crude ranged from 95 cents to $2.60 a barrel, there were completed in 1919 a total of 29,072 wells with Oklahoma crude ranging from $2.25 to $2.75. This year there will probably be completed 36,000 wells with the price at $3.50. Twenty-five years ago it averaged about $2,000 to drill a well. Now when a well costs less than $25,000 or $30,000 the oil producer feels he is getting off cheaply. Mr. Benson also points out that figures of twenty of the large producing companies show that their production for 1919 aggregated 172,000,000 barrels, of which 45,000,000 barrels, or 26%, came from wells completed last year. With present production running at the rate of 475,000,000 barrels a year, it seems probable that 100,000,000 is coming from wells less than a year old. From these figures it will be readily seen that any reduction in crude prices which would curtail drill-



(*Continued on page* 199)

Trade Tendencies

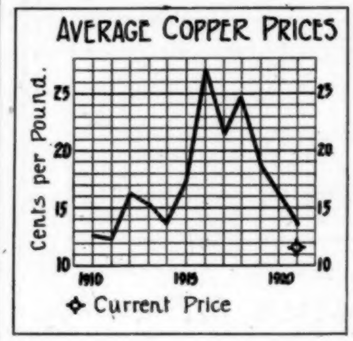
Prospects of Leading Industries as Seen by Our Trade Observer

As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

COPPER

A Depressed Market

WITH sales of copper reported at 13¾ cents a pound, the price of the metal is now lower than for any time since 1915. As compared with the



average of pre-war prices, copper is still about 2 cents higher. Relatively speaking, however, the red metal is actually selling considerably below pre-war prices inasmuch as it must be taken into consideration that costs of production has been greatly increased. Even on the sliding scale of wages in effect at all the mines, labor is still paid on a basis of not less than 18 cents a pound. As the metal is selling below 14 cents, it is apparent that production is hardly profitable. Speaking generally, the average cost of production is 16 cents, or about 2 cents over the present price of the metal.

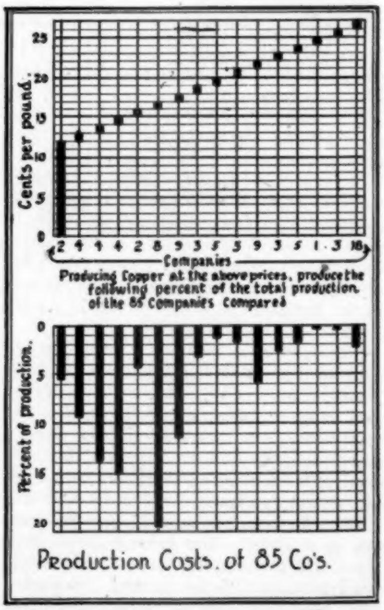
There are a few producers who can sell at 14 cents or so and still make a small profit but these are the exception. The attached graph on costs will show how deeply the average copper producer is affected by the present state of the market.

The slump in demand is being met by an increasing disposition to reduce output. It is estimated that November production will hardly amount to 100,000,000 pounds which is considerably below that of any month this year. Some of the more important companies are working at 40-50% capacity but there are a number of others where production is on a still lower basis. It is not unlikely that some of the mines now operating on reduced output will actually shut down as there is a limit to which production can be cut without materially adding to losses. Under such circumstances the producers feel that it is better to suspend all operations.

There is still a very large surplus on hand and it is moving very slowly. This surplus can probably take care of any such demand as that of the present for a half year. A few months ago, some export demand was looked for as a means of eliminating part of the surplus. Owing to the condition of the exchange market, European buyers have held off from making purchases and the past few weeks have seen a decided shrinkage in export demand. There is also considerable selling for London account which is an added barrier to the American producer.

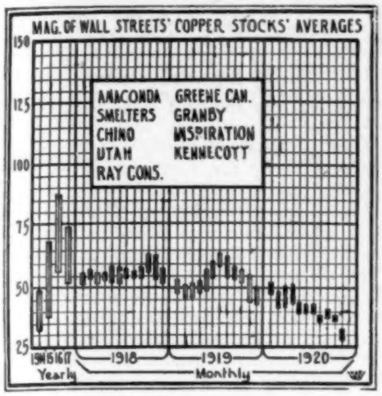
That immediate improvement in the export situation can be expected is to be doubted. Conditions are too unsettled abroad to offer the hope of an early solution. Nevertheless the fact must not be ignored that Europe offers a very large potential market for copper and that eventually there will be large amounts of American copper absorbed by European consumption. This is a long range consideration, however, and has no bearing on the immediate situation.

Practically all the non-ferrous metals are in a depressed state. Zinc and lead, especially, have suffered severe declines and at current levels are selling at prices lower than for many years.



Even the present low price of copper does not attract any important buying. Consumers are continually being frightened out of the market by the steady downward tendency of prices and are holding off purchases in anticipation of further declines. Brass, cable and wire interests are apathetic and very little buying is being done for these accounts, which gives a good idea as to the condition of the market, as these interests are among the most important in the copper trade. It is difficult to foretell when any big buying

movement will come in, but this will probably be accelerated by the rapid reduction of output now being made by the producers.



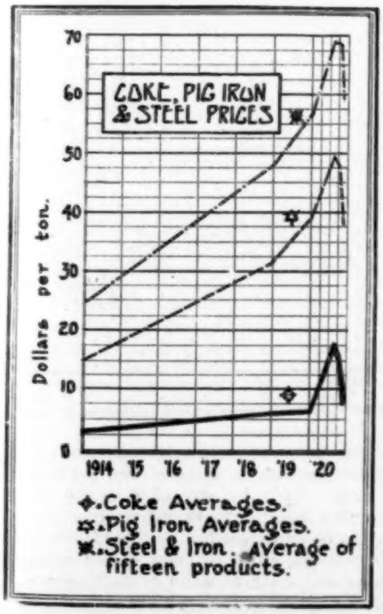
To December 2

STEEL

Independents Meet Industrial Board Prices

THE outstanding event of the week was the reduction in independent steel prices to meet the Industrial Board base of March, 1919, adhered to by the U. S. Steel Corporation. This action was long expected, and it may be regarded as the most important development in the steel industry in the past few months. Its final result is to place the independent interests on a strictly competitive basis, which gives adequate proof as to the change which has recently come over the industry.

Some of the independent concerns are still quoting higher prices with regard to certain products, but it is inevitable, with the exception of rare instances, that all



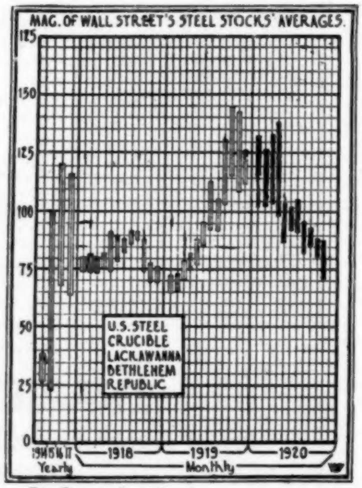
business will be on the level with that recently established by the leading independents. Thus far the price revisions

have exerted no effect on buying and sellers are more concerned with getting good prices on unfilled orders. However, cancellations are eating into these orders so rapidly that very little business from this source will be left after a month or two.

Pig iron continues its downward tendency and prices of basic are now quoted at about $35-36 a ton, which fulfills the opinion recently ventured in these columns that the commodity would soon reach the $35 level. Of course, this tendency is helped along considerably by weakness in the coke market and predictions are made that coke will get down to below $7 a ton. It is now quoted at $7.50, a recession of some $10 a ton since last August. (See Graph.)

In the rail market, standard section orders for 1921 are running 20% above those of 1920. All indications point to a very big year in rails with orders probably totalling 3,000,000 tons. Dual prices are looked for with the Steel Corporation charging $47 a ton and the independents $10 higher.

An interesting exception to the down-



To December 2

ward course of independent prices is small pipe, for which there is a very large demand from the oil interests, both domestic and foreign. There is an actual shortage of this product and no recessions are anticipated for several months, at least.

Now that the independents have revised their prices, considerable discussion has come up with regard to possible cuts in labor costs. In the case of the more important producers, wages are not expected to be cut until the retail prices of food and other necessities come down still further. The smaller independents, however, who are hit more keenly by the new competitive conditions, will undoubtedly find it necessary to revise their wage schedules downward.

The steel industry enters a period of depression in a comparatively strong position. Inventories are not excessive. Plant capacity has not been increased very much, especially with regard to pig iron and ingot production. The more important companies are well fortified with cash, and although earnings pretty surely will not be so good for the next few months, these concerns should be able to get over present inconveniences without untoward hardship.

RAILROADS

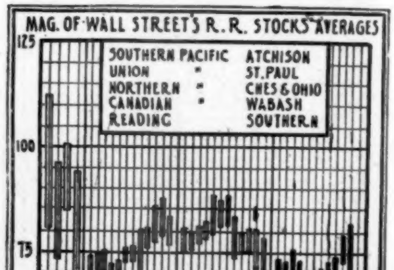
Conflicting Influences of Deflation

THERE are sufficient signs to indicate that the railroads have entered a period of declining traffic and earnings. This is partly the result of current industrial depression and partly the result of the slump in prices of agricultural products, which has in turn caused the farmers to hold back their crops from the market. The situation is working out differently in different sections of the country but, in the main, it is apparent that the carriers are facing less favorable conditions for the immediate future.

The decline in traffic is noticeable from car loading statistics. Car loadings, for the first three weeks in October, ran up above 1,000,000 weekly. In the fourth week of October this dropped to 973,000 cars and was followed by 910,000 cars for the succeeding week. Inasmuch as this unfavorable condition has been accentuated for succeeding weeks in November, it is quite probable that car loading figures have shown a still further decline.

In the Middle West and Southwest, traffic has slumped somewhat, with coal alone of all the commodities moving above normal. In the East, especially in the New England states, the carriers are moving less miscellaneous freight and are discharging large numbers of men. For the country, the situation is reflected in a decrease of accumulated cars with the amount down to 32,665 cars, as at the end of the first week in November. This was a reduction of 7,325 cars from the previous week.

Railroad managements are now faced with the problem of meeting the threatened slump in traffic. This can be partially



To December 2

offset by exercising rigorous economy, something which some of the roads are already doing by way of releasing their surplus labor. As to maintenance, it is to be doubted whether much economy can be put into effect as many of the carriers have still much to do in order to improve their physical condition. The railroads are expected to keep their maintenance accounts pretty high and if this should be the case, it will eat into net earnings already affected by the slump in gross.

October net earnings, from reports now filtering in, show some improvement over September earnings but this was expected. It now remains to be seen just how much the carriers will be affected by the unfavorable turn in industrial and agricultural affairs. A period of depression of probably a few months is in sight, and in a number of instances the carriers will be pretty sure to feel the situation more or less acutely.

There are, however, some favorable factors. Vast amounts of grain, cotton and other agricultural products must be moved sooner or later. Coal traffic is very high and will continue so for some time.

From a long range viewpoint the railroads will benefit exceedingly from the drop in prices. This is especially true with regard to steel and coal prices. Next to labor, these are the two most important items affecting the carriers. The drop in coal price is of especial significance as the fuel bills of the carriers have been enormous in recent years. The railroads commence to make their long term coal contracts early in spring, and although it is impossible to say what coal prices will be at that time, it is more than likely that they will be considerably less than what the carriers had to pay last year.

To summarize briefly, the railroads face a few months of decreasing traffic, as reflected by the general business situation. At the same time, they stand to gain from their own efforts toward economy and especially from the decline in operating expenses, as measured by the drop in coal and steel prices. This latter, however, is rather of ultimate consequence.

COAL

Sellers Getting Anxious

ONE of the major depressing influences in the coal market is the very recent decline in export demand. Coal shipments abroad have fallen off materially in the past few weeks, principally owing to the fact that by virtue of her enormous purchases during mid-summer and fall, Europe is well supplied as to her immediate needs. This development is particularly disconcerting to the coal trade because it had been hoped that the European demand would offset conditions over here caused by the industrial depression.

At the same time, both on account of the slump in industry and because buyers sense that prices have definitely set themselves for lower levels, there has been some shrinkage in domestic demand. This has resulted in a curious situation for the coal trade in which sellers are seen soliciting trade from buyers whereas only a few weeks ago the situation was reversed. The present state of affairs, however, is the result of conditions clearly foreseen some time ago.

Broadly speaking, there are two outstanding influences operating in the coal market. One is the recession in the wave of buying and the other is that production at the same time has increased. The result of this is clearly visible with regard to Atlantic ports, where owing to the drop in export demand very large quantities of

coal have been piled up, without any buyers.

Prices naturally have slumped and at present writing are about 50% off from the highest point reached last August. This, of course, refers specifically to bituminous coal. The best grade steam coal for example can now be bought at the mines for slightly under $5 a ton whereas three months ago it was difficult to obtain at twice this figure. Though bituminous coal has already had a very sharp decline, it is not considered that the limit has yet been reached.

It is extremely interesting to note that the slump in coal prices is causing considerable inconvenience to the smaller producers. These interests are particularly affected by the fact that their cost of production is high. In fact, it is claimed that in the case of some of these smaller producers the present price of coal is below the cost of production. This can very well be a fact considering that most grades of bituminous are selling at about $5 whereas the lowest cost of production, as in the case of the big producers, is about $4. As the cost of production for the smaller independents averages well up above 50% in excess of the cost of production for the bigger interests, it will be seen that at $5 a ton, they are probably losing money. Considering that no one in the coal trade has lost money for years this is a highly interesting and significant development.

Labor conditions are much better. In some sections of the country, such as in Alabama, a surplus is reported owing to the fact that many skilled workers who had formerly switched into other industries, such as automobile and tire manufacturing, are now returning to the mines because of the cessation of activity in these industries.

The price of anthracite still remains high although production is at normal. With the cessation of lake shipments, however, quantities of the commodity will be dumped into the big cities on the Atlantic seaboard and, after the holidays, lower prices can be expected. There is no reason to believe that anthracite will not eventually follow the course of the bituminous variety.

BUILDING MATERIALS

Factors Favor a Building Boom

RECENT developments in the building materials market indicate that some time in 1921 the long-postponed building boom will commence. There are two factors, especially, which point to such a conclusion. One is the fact that in a number of instances the price of building materials has declined to a point sufficiently attractive to induce builders to enter the market, though, it must be admitted, rather hesitatingly for the present. The second is that there is a nation-wide agitation for the exemption from taxation of real estate mortgages over a period, as a means of relieving the existing housing and building shortage.

There have been some sharp changes in the price of leading building materials. Bricks, for example, which sold not so long ago in New York city at $30.75 a thousand can now be obtained at slightly under $23 a thousand and several weeks ago they sold at $20.75. Wood lath has dropped from $20 a thousand to $14. A leading roofing interest has announced price reductions of from 24% to 31%. Lumber is now being sold at a lower price in New York city than before the freight increase went into effect.

The drop in lumber is directly attributable to over-production and also to the decline in demand, caused by the high prices asked by producers. Many lumber mills and shingle mills in the South and West have ceased production. In general, the lumber industry may be said to be readjusting itself to a saner price level.

Labor, an important element in the manufacture of building materials, as well as in actual building construction, is becoming much more plentiful and several reductions in the wage schedule have already been announced. The recent exposure of the methods of certain labor leaders in the building industry has also served to induce a more moderate attitude on the part of the labor interests, and it is quite possible that difficulties from this source which have afflicted the building industry for the past two years will from now on commence to wane.

Transportation has improved considerably and inasmuch as the previous car shortage was one of the most important factors in delaying building operations, it will be seen that the industry enters the new year with a great burden removed.

One of the prerequisites in any building campaign is the accumulation of sufficient capital for first mortgage purposes. Under existing conditions capital is being driven into non-taxable securities. In order to interest capital in building enterprise, it is obviously necessary to remove the tax restrictions now imposed on first mortgages. It is possible that this may be done as there is a very powerful movement on foot to place real estate mortgages on a tax-exempt basis, at least for a stated period of years.

Lower building material and labor costs, improvement in transportation conditions and the possibility that real estate mortgages may be exempt from taxation are factors which cannot be ignored in an estimate of probable future conditions in the building industry. These developments point to a near resuscitation of this hitherto quasi-dormant industry, something which should be in plain evidence by spring of next year.

TEXTILES

Readjustment Incompleted

THERE is probably no other industry in the United States, with the possible exception of the tire industry, which has been so deeply affected by the deflationary process as the textile industry. In the New England district, for example, where normally 300,000 operatives are employed in the textile mills, barely half that number are now employed and there are

probabilities that additional numbers will be thrown out of work.

In this district, production has been cut 55%, roughly speaking. In some instances, the mills have curtailed production by 80%. Others have shut down completely and a number are operating on part-time basis. Prices have declined to such a point that many mill owners feel that they will incur less loss by completely shutting down their mills than by running on reduced output.

Demand is very slight and there is the utmost reluctance to add to stocks under present conditions. Wholesalers and jobbers have accepted the inevitable and have cut their prices even where losses are incurred by so doing, but even these drastic cuts have not tempted buying by the retailers, who find themselves loaded up with goods bought earlier this year at considerably higher prices. The public, as is usual nowadays, is in no frame of mind to do any buying unless prices meet with its satisfaction. The retailers, however, are beginning to see the light, and, for the first time since deflation appeared in this industry, are attempting to move their stocks by offering attractive concessions.

Liquidation from this new source is the final touch in the deflationary process in the textile industry and several months of strenuous effort to reduce their stocks by offering concessions, should put the retailers in a position to commence buying again, with consequent benefits to the entire industry. In any case retailers in this industry, as in others, will soon be compelled to reduce prices where they are not already doing so, and they will be helped along by the banks who are about to force retail deflation just as they have compelled manufacturers and wholesalers to submit to new conditions, by the simple expedient of calling in loans. This is a new feature in the textile industry, and while this cure is a drastic one it holds forth promise that as soon as the process is completed the industry will find itself on a more stable basis.

In the silk industry, there has been no improvement in the primary markets and the manufacturers are still operating on a reduced basis. There is one ray of light, however, and that is that the retailers have taken matters in their hands and are vigorously attempting to move their stocks by cutting prices to the level where they will be agreeable to the consumer.

The flax, woolen, fur and other markets connected with the wearing apparel trade are still in a state of unsettlement, which is aggravated by world-wide depression in these industries. Fundamental conditions are too unfavorable to permit the hope of early improvement. Curtailment of production is advocated, but the effects of this policy can hardly be of immediate value, as it will take some time to move the stocks on hand.

Viewed broadly, conditions in all the industries connected with textiles and wearing apparel are very unsatisfactory. Present depressing influences have yet to run their course and although there are factors working toward ultimate betterment, the next few months will probably prove to be a period marked by even greater depression and some commercial casualties.

TOBACCO

Some Unfavorable Features

THE tobacco industry has not yet suffered from deflation to any degree comparable with some of the others for the simple reason that, speaking generally, at no time within the past few years has it been subject to such speculative influences as have characterized other industries. Prices have advanced, of course, but this has been due mainly to increased labor costs and to increased taxes. Such advances, therefore, have been due to natural economic causes and not to artificial and speculative stimulation.

Nevertheless the price basis is higher than those of a few years ago and, correspondingly, there is room for a decline if unfavorable influences should gain headway. In this connection, it can be said that in recent weeks there have been developments which seem to indicate that the tobacco industry cannot hope to escape the entire effect of the general downward trend, although it is hardly possible that it will feel these effects nearly as much as some of the other industries which have been carried far along the road of deflation.

The most serious factor with which the tobacco interests must contend is an unusual accumulation of raw tobacco. The 1920 crop is estimated at 1,476,500,000 pounds as compared with 1,389,300,000 for 1919. Both these figures are in excess of the average production of 1,187,700,000 pounds for the years 1914-1918. Comparatively speaking, the 1920 crop does not appear excessive, but it has been made so by a decline in demand especially from European sources. Exports have fallen off very measurably in recent months on account of the unfavorable exchange situation. In addition, Europe bought quite heavily during the earlier part of the year and is now fairly well stocked. Buying from this source is expected to decrease in coming months.

Domestic buying shows a shrinkage but this is not so much due to lack of interest on the ultimate consumer's part as it is to the fact that wholesalers and other interests are psychologically influenced by the decline in other commodities and consequently argue that there must be recessions in tobacco prices. There is quite a noticeable tendency in this direction in many cities and this is reacting on the manufacturers. Retailers are also apprehensive.

The Kentucky tobacco interests hesitate to unload their low-grade stocks fearing that this would break the market. A policy of holding back the crops is urged for this section of the country which gives a good idea as to the uncertain feeling now typical of the entire industry.

The feeling in the trade, at large, is that prices will soon decline, though to no great degree. Two of the most important factors in restraining an absolute break in prices are the still high costs of manufacturing and the very high taxes imposed on the sale of tobacco products. This latter element is an important consideration in tobacco prices and as long as it is in effect, severe price cuts cannot be anticipated, although it will not prevent some shading.

For the present, the disadvantage rests with the growing interests who almost certainly face a more depressed market for their products and consequently lower prices. This is more particularly true of the lower-grade stocks which are used in large part for European consumption. The higher grade stocks are not too abundant and extensive recessions here are not looked for.

AN INDUSTRIAL GIANT

(*Continued from page* 180)

This latter was organized in 1917 and is really a holding company, owning all or substantial amounts of the stock of its 33 subsidiaries. Since its organization the parent company has followed the liberal policy of its subsidiaries and has already presented the stockholders with valuable "rights" for subscription. Thus in Dec., 1918, shareholders were permitted to subscribe to 20% of their holdings at $40 a share. Very recently shareholders here had the privilege of subscribing to 10% of their holdings at $40 a share. That these "rights" have been valuable can be seen from the fact that the stock has consistently sold above $40 a share, being now quoted at about 54. This year it has sold as high as 78. Cash dividends have been increased from $1 quarterly to $1.50 quarterly, where they now stand.

The total authorized capitalization of Union Carbide & Carbon consists of 3,000,000 shares of no par value, of which there is outstanding 2,571,133 shares. There is no funded debt. Inasmuch as the outstanding shares require an annual disbursement of about $15,500,000 on the basis of the present dividends, it will be appreciated that the corporation must be enormously prosperous to carry such a load.

Conclusion

The capital investment in the various subsidiaries of Union Carbide & Carbon amounts to over $300,000,000, which not only makes it the largest concern in its own field, but one of the biggest in any field in the United States. It is linked up with some very powerful interests, and its directorate includes such individuals as Myron T. Herrick, N. F. Brady and C. K. G. Billings. Its management is extremely capable and far-seeing and has planned very well for the future.

The pre-eminent position which the corporation enjoys in its field endows it with a stability which is typical only of such enterprises as the U. S. Steel Corporation and the Standard Oil companies. The great diversity of its products and the normal demand for these products from the great industries of the country indicate a future reasonably well assured.

The stock enjoys an active market in Chicago and also in the outside New York market. It is now quoted at about 54, where the yield amounts to about 11%. As far as can be told from the rather limited information which the company makes available to investors, its prospects appear to be good, but the stockholder is under the handicap of being without definite statements of either earnings or assets.

NO INFLATION IN CRUDE OIL PRICES

(Continued from page 191)

ing operations, would be quickly reflected in reduced production.

Oil In Unique Position

Notwithstanding all statements to the contrary the oil industry stands in an unique position. We are in an oil age. Before the war we had entered this period with the adoption of the internal combustion engine. The war hastened the development of the use of petroleum. New uses are constantly springing up and the result is that today while there is a temporary slackening in demand from certain quarters, this is more than offset by the new requirements. If anyone has any doubts regarding this, let him turn to the United States Geological Survey's latest report on petroleum production and consumption. Here we find the following figures on consumption of domestic and imported petroleum (barrels of 42 gallons):

Month	Total	Daily Average
July	43,710,000	1,410,000
Aug.	47,490,000	1,531,935
Sept.	48,815,000	1,627,167
Oct.	49,901,000	1,609,710

Consumption of petroleum in the United States in October reached the highest mark yet attained. Last year the peak of consumption was reached in August but this year we see consumption soaring to new high levels in October in the face of a general setback in general business.

Causes of Increased Demand

While most of the figures have been published before it might be well to review here some of the factors which have caused the present unprecedented use of petroleum and to discuss some of the probable future requirements.

The development of the internal combustion engine as a source of power, in the automobile and truck has, of course, been largely responsible for the modern petroleum industry. At the beginning of this century there were in operation in the United States about 10,000 automobiles. Our gasoline production was then less than 7,000,000 barrels and our crude oil production, 57,000,000 barrels. Just prior to the outbreak of the European war in 1914 there were in operation in this country 1,250,000 automobiles. Our gasoline production in 1914 was 35,000,000 barrels and our total crude oil production, 265,000,000 barrels. At the beginning of this year there were registered 7,500,000 automobiles. Our gasoline production this year will be about 110,000,000 barrels and our total crude output probably 445,000,000 barrels. The sale of automobiles has recently shown a decided slump due to prevailing business conditions.

There is a difference of opinion regarding the future demand for automobiles, although it is generally conceded that the motor industry is here to stay and that there will continue a substantial demand for passenger automobiles, with a steadily growing demand for trucks and tractors. But even if the number of internal combustion engines in use should remain stationary the oil industry would have to continue to exert its efforts to supply the demand.

The question that seems to be worrying oil men is how to supply the anticipated increase in demand. Every year the number of automobiles has increased with a resultant expansion of motor fuel and lubricating requirements. For a number of years the oil industry has been meeting the increasing gasoline demand, not only by increasing crude oil production but by increasing the percentage of motor fuel extracted from the crude oil. Motorists have complained about the inferior quality of their gasoline but this has been inevitable. The only way to avert a shortage was to increase the extraction with a consequent lowering of quality. But now the limit in this direction has been reached.

If the quality of gasoline is further reduced in order to increase the output, it will be necessary to use so much more gasoline per car that the purpose of lowering the quality would be defeated. That is to say, so much more gasoline would have to be used that a shortage would be created.

Fuel Oil Expansion

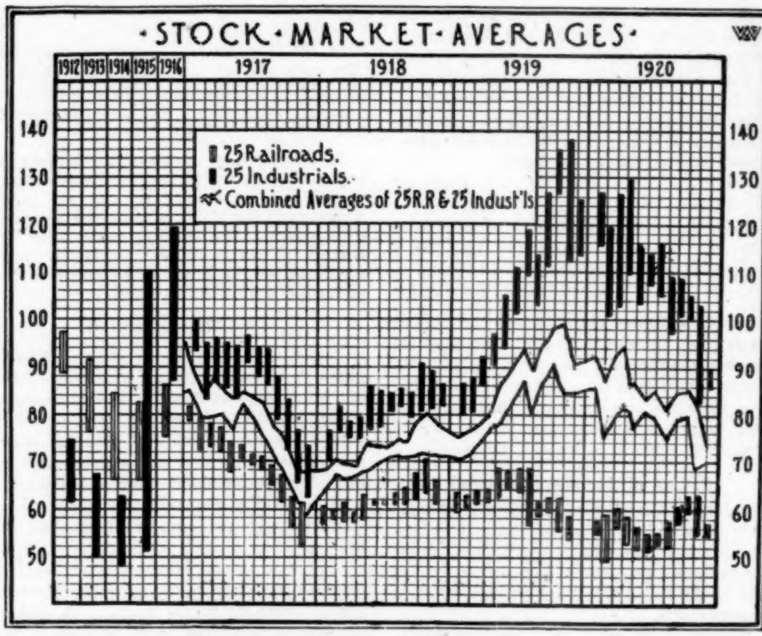
While gasoline is the most valuable product of petroleum, it comprises little more than one-quarter the refinery output, while gas oil and fuel oil comprise 50% of the volume of refinery output. When it is considered that the greater part of the Mexican crude is used as fuel oil it will be readily apparent that the fuel oil market is a vital one. If there had not been a growing market for fuel oil, the oil industry would probably have found it impossible to supply the increased demand for gasoline in recent years. In making gasoline it is necessary to produce a certain quantity of fuel oil and other products and the refiner could not long have continued increasing his gasoline output without a ready market for fuel oil. The substitution of oil for coal has created a demand for fuel oil quite as insistent as that for gasoline. Possible users of liquid fuel waited until they felt sure of an adequate supply before converting their facilities for the use of oil. Mexico was generally looked upon as an unlimited source of supply but in the last year or so developments in that country have indicated that other fields must be looked to in order to provide adequate reserves for the future.

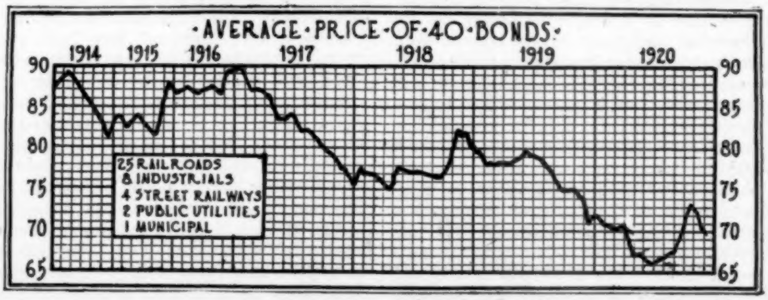
A great market for fuel oil has been opened up with the adoption of oil as fuel for marine transportation. So vital has its use in this direction become that it has begun to play an important part in the policies of nations and is a matter of international concern. The expansion in the oil requirements of the United States Shipping Board gives a good idea of the growth in the use of liquid fuel. Admiral W. S. Benson, chairman of the Shipping Board, states that for the year 1919 the Shipping Board's requirements were 18,000,000 barrels; for the year 1920, 30,000,000 barrels, and for the year 1921, they are estimated

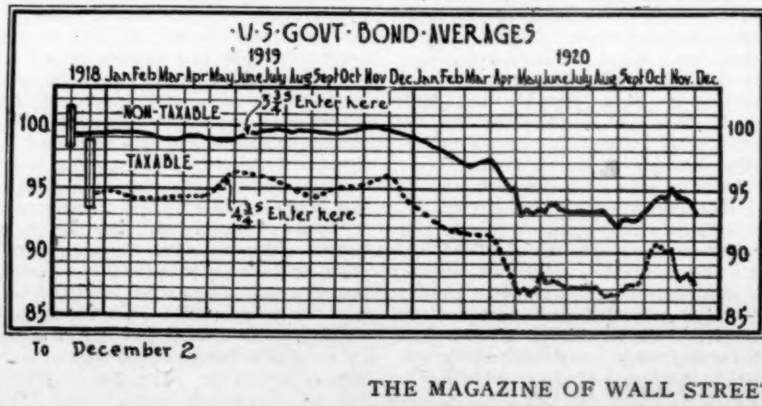
(Continued on page 205)

MARKET STATISTICS

	N. Y. Times. 40 Bonds.	Dow, Jones Avgs. 20 Indus.	20 Rails.	N. Y. Times. 50 Stocks High.	Low.	Sales.
Monday, Nov. 22....	70.30	77.15	79.73	73.70	70.87	1,116,895
Tuesday, Nov. 23....	70.41	77.20	78.58	74.52	72.36	1,113,408
Wednesday, Nov. 24	70.28	76.65	78.43	73.10	71.72	676,066
Thursday, Nov. 25...			Holiday			
Friday, Nov. 26.....	70.21	75.53	78.83	72.90	71.40	688,538
Saturday, Nov. 27..	70.13	75.46	78.53	72.09	71.22	275,715
Monday, Nov. 29....	70.19	76.18	78.52	72.91	71.65	565,355
Tuesday, Nov. 30....	70.12	76.04	77.55	72.64	71.35	781,972
Wednesday, Dec. 1..	69.90	76.50	77.45	72.31	70.17	1,052,391
Thursday, Dec. 2....	69.75	77.30	77.47	73.41	71.34	974,263
Friday, Dec. 3......	69.69	77.08	77.55	72.86	71.90	714,835
Saturday, Dec. 4....	69.74	77.55	77.50	73.72	72.79	408,935







To December 2

Answers to Inquiries

GENERAL MOTORS DEBENTURES

Provisions of Issue and Status

We are of the opinion that the 6% and 7% debentures of the General Motors Co. have about reached the low levels, and we look for them to advance under better general market conditions. They can be considered in the nature of a specvestment, and fairly safe, as the company has no funded debt.

The two debenture issues and the preferred stock have equal rights as to dividends and privileges, with the exception that the preferred stockholders may vote when the preferred dividend is six months in arrears, while the debenture holders may vote whenever, in any calendar year, the earnings amount to less than 9% of the total par value of the two debenture stocks outstanding. The preferred stock is redeemable at 110, and dividends, and it may be that the difference in price is due to it being regarded as having a better speculative value because of the possibility of its redemption before the debentures. In reality, there would seem to be no good reason why there should be the difference in price that exists. Of the three stocks, we favor the 6% debentures. We regard the spread between the two as unwarranted, considering the conversion privilege that the 6% debentures and the preferred stock have as to the exchange of one share of the preferred or 6% debentures, and $100 cash for two shares of the 7% debentures stock. Their lower price and similar yield is in their favor.

UNION CARBIDE

Has Proven Profitable

The Union Carbide and Carbon Corporation is a progressive company and has, through expansion and development of its possibilities, justified the favorable comments contained in the article which appeared in THE MAGAZINE OF WALL STREET in August last.

The policy of distributing its unissued stock among shareholders was first put into operation December 12, 1918, when holders of record were given the right to subscribe to 20% of their holdings at $40 a share. This procedure was repeated on October 7, 1920, and stockholders of record October 29, 1920, were again given the right to subscribe for 10% of their holdings at $40 a share. The right expires November 15, 1920.

The stock is listed on the Chicago Stock Exchange and quoted around 59. The "rights" are quoted at 1⅞. A stockholder exercising his "rights can buy stock from the company at $40 a share and sell it in the open market at say $58, thus realizing a profit of $18 a share on 10% of his holdings.

AN INVESTMENT OF $25,000

7% Return on Bonds and Stocks

We suggest the investment of your $25,000 in proportionate amounts, in the following bonds and preferred stocks, which we believe to be safe investments, and which show a yield of 7% and over, and have the additional merit of being entitled to an increase in market value, as the prices of bonds in general advance:

Bonds.—St. Louis & Southwestern Cons. 4s, 1932, yields 8.77%. St. Louis & Southwestern Terminal 5s, 1952, yields 8.40%. Peoria & Eastern Cons. 4s, 1940, yields 7.50%. Frisco Prior Lien A 4s, 1950, yields 7.40%. Kansas City, Fort Scott & Memphis 4s, 1936, yields 7.75%. C. C. C. & St. Louis Debenture 4½s, 1931, yields 7.17%. B. F. Goodrich Conv. 7s, yields 9.2%. Comp. Tab. Rec. 6s, yields 7.9%. Pacific Gas & Electric 5s, 1942, yields 7%. Bush Terminal Building 5s, 1960, yields 6.9%. American Tel. & Tel. 4s, 1929, yields 7.5%. Northern States Power Company 6s, 1940, yields 7%.

Preferred Stocks.—Western Pacific Pfd. yields around 8%. Bethlehem Steel 8% Pfd., yields around 7.7%. Columbia Graphophone Pfd. yields around 9%. Va. Carolina Chemical Pfd., yields around 7.6%. General Motors Debenture 6s, yields around 9.1%.

WESTINGHOUSE ELECTRIC

In Prosperous Condition

This company is in a very prosperous condition and it has so large a volume of business on hand that it became necessary to do some new financing, hence the issue of $30,000,000 notes. The common stock of the company is now paying dividends of 8% per annum, or $4 per share annually (par value $50) and the company is earning a good margin over its dividend requirements. The business outlook over the next few years is very promising, so that there can can be no question at all about the company's ability to pay not the interest on its outstanding indebtedness. The present rate of dividends on the stock looks secure. We believe the stocks is an attractive long pull investment for business men.

FISK RUBBER
Now Looks Attractive

The Fisk Rubber Company only reports its earnings once every year, but for the year ended December 31, 1919, about $24 was earned on the old stock of a par value of $100, which is equal to $6 on the present stock of a par value of $25. This is double the dividend requirements. Undoubtedly, recent earnings will not show up as well as this, but even if the company should reduce its dividend, say, to $2 a share, which it is probably earning by a very large margin, we should say that the stock in its long decline from 48 to 14 this year has discounted any such probability.

The tangible net assets against the common stock are around $30 a share, which makes no allowance for Good Will, which is carried at $16 a share. We consider the intrinsic value of the stock at least equal to the selling price to take a most conservative view of the situation, and believe the stock is cheap around these levels.

We believe that Bethlehem Steel B should prove a good purchase at recent levels, but you may have to hold through a further slight decline. We should feel disposed to buy a further ten shares if the stock should decline five points from your selling price.

Regarding the rails, we would favor Southern Pacific Convertible 5% bonds as our first choice.

AMERICAN ZINC PREFERRED
Should Be Held

Regarding American Zinc preferred, while this company was operated at a deficit the latter part of 1919, its position has been much improved this year. In the first half of the year, net profits amounted to $350,000, or a margin of $100,000 above dividend requirements. The nine months' statement will apparently show the preferred dividend about earned.

The company is expected to put its new zinc oxide plant at Columbus in operation, which should increase its earnings. There is no reason to believe from the latest reports concerning this company that it will not continue the dividend on the preferred stock. We should hold it for future developments.

AM. TELEPHONE BONDS
Conversion Privileges

The only bonds of the American Telephone Company that are convertible into stock are the 4½s of 1933, convertible at $120 before March 1, 1925. The convertible 6s of 1925, which is the other issue you doubtless refer to, are convertible at $106 into stock until the date of maturity, that is to say, until 1925. The 3-Year 6% issue is not convertible and is now selling at 95½. The American Telephone Convertible 6s just referred to are selling at 94¾ (last sale). You would actually gain by making the exchange and we would advise you to do so.

AMERICAN CIGAR
A High Grade Company

The American Cigar Company until 1911 was a subsidiary of the American Tobacco Company, and it controlled various cigar

companies like the Havana Tobacco Company, the Henry Clay Company, the Bock Company and other concerns manufacturing high grade Havana cigars. The company had a surplus at the end of 1919 of $13,218,715, but this has since risen to around $15,000,000 at the present time.

No announcement has been made as to the purpose of the increase in capitalization, but it is likely that rights will be given to present stockholders to subscribe for some of the new stock at an attractive figure.

In the absence of an official announcement as to the purpose of the increase, we are not in a position to say what it is for. The company is carrying a large inventory and Receivables, but, on the other hand, its cash position at the last report was fairly good, showing about $2,500,000 in its treasury. Its Accounts Payable, however, at the present time, must total around $10,000,000 and undoubtedly the company wishes to place itself in a position to meet these payments without embarrassing the position of the company.

Hitherto, the dividend has been earned by a very large margin and since 1915 the company was able to pay out $600,000 in preferred dividends and $600,000 (last year $800,000) and still carry forward a handsome surplus. We believe the stock should be held pending further details.

EAST COAST FISHERIES
A Victim of Circumstances

The troubles of the two companies would appear to be due to large inventories of products which could not be marketed at a price that would permit the turning into cash of sufficient funds to meet its expansion program.

The past year has not been a good one for the various fisheries companies, due in some measure to the fact that the government had a large war stock of such goods on hand that had to be sold at a price below that which the companies could sell and make a profit.

The receivership came in the nature of a surprise, as the financial reports of the two companies showed them to be in a fair condition. It will appear that creditors pressed and it is claimed that to protect the interests of the stockholders the receivership was planned.

The announcement, just recently, of the election of George W. Goethals to the presidency of the companies, was believed to have strengthened their position, and this may yet be true, as he evidently thought the receivership would be the best policy to bring the companies around to a stable basis.

The financial statements of the companies shows no funded debt, which should give the stock a good equity in the properties. In fact, it is stated that the assets are four or five times the liabilities and that the stockholders would lose nothing eventually.

We are of the opinion that under the Goethals' receivership, the affairs of the two companies will be worked out satisfactorily. It is claimed that the companies are rather heavily capitalized and that the cost of marketing the stock issues was considerable. But this fact had previously been discounted in the price of the shares.

It would appear to be just another case of holding fast and awaiting the outcome of the receivership, as if the assets of the company are as large as the official statement puts them, when the change was announced, the stockholders have little cause to worry as to liquidation value, but will have to put up with the annoyance of holding a stock that will bring in no dividend through the readjustment period.

AMERICAN RADIATOR
Its 7% Preferred Stock Is Sound

American Radiator 7% Cumulative preferred. This company has a long record of high earnings, its stock, both preferred and common, has maintained a high level in weak and strong markets, its dividend payments have been regular and there have been many extra dividends declared. The stock has been listed on the New York Stock Exchange, and therefore can be readily disposed of at any time, and, taken as a whole, we consider it a fairly desirable investment at the present market and with a better general market it should sell higher. It sells around par to yield 7%.

CUBA CANE SUGAR
Has It Discounted the Worst?

Cuba Cane Sugar has had a big decline from nearly 60 to as low as 31, and has only recovered about four points from its low price. The common stock is preceded by a preferred issue as well as a fairly large debenture issue, and past earnings on the common and preferred have not been steady, consistent, nor seasoned. The newer sugar issues have had a rather hectic past. The price of sugar has fallen tremendously, and predictions have been made in high quarters recently that the low price has still some distance to go before rock bottom is found. While we are not extremely bullish on Cuba Cane Sugar Common, we feel that while the decline may go a little further, there is a profit to be had ultimately by purchasing. We do not consider the sugar group as being entirely in the investment class at the present time, with the possible exception of American Sugar Refining.

GASTON, WILLIAMS & WIGMORE
Book Values and Intrinsic Worth

The estimated value of Gaston, Williams & Wigmore, or rather the "equity," amounted to about $23½ per share of no par value. We believe, however, that the actual value is considerably less, and it would probably be difficult to arrive at any value from the balance sheet. For example, the company carries an item of about $10,000,000, the assumed value of stocks in its associated companies. How much these are actually worth is a problem. Its Receivables and Drafts amount to $4,000,000, and it is hard to say how good these are. It also has claims and Accounts Receivable that amount to well over $3,000,000, and we do not suppose that even the officers of the company could give a quick estimate of how this will fare in the long run. The company recently sold its large building on Broadway, New York, for over $2,000,000, probably to obtain cash that it needs for current business. According to recent advices, the company is still doing a good business, but it has been very much handicapped through the curtailment of European export business. In 1920, the company set up a reserve of

$3,000,000 adjustments since the formation of the company. It has also made provision for losses in investments and advances to associated companies, totalling over $2,000,000. These deductions amount to well over $5,000,000, which accounts for the very large deficit of nearly $5,000,000 shown in the earnings last year. It is probable that present prices discount most of the unfavorable factors, and we should say that the stock in the light of a speculation only, has fair possibilities.

CUBAN-AMERICAN SUGAR

A Stronger Technical Position

Cuban American has reduced its dividend from $7 to $4 a share. The change in this company's situation has been due to the tremendous drop in raw sugar and the possibility of greatly reduced earnings.

The old stock sold as high as 600, but was exchanged at the rate of 10 for 1 of the present issue and the present issue sold as high as 60, which is the equivalent of 600. The present price around 30 for Cuban American Sugar is the equivalent of 300 for the old stock.

We agree with you that the time to purchase is when everybody else wishes to sell and would say that after the big decline in Cuban American Sugar, we should judge that it ought to be a good purchase between 25 and 30. The weak holders of the stock at high prices have been sold out; the balance are investors or strong holders, who will not flood the market with cheap stock during declines. Every indication now favors some improvement.

WESTINGHOUSE AIR BRAKE

A Staunch Earner

Westinghouse Air Brake has a capitalization of $30,000,000 (par $50) common stock, and no bonds. Stock is now selling around $90, which is its lowest level since 1918 and was only duplicated in 1917 when the low price was 94½. The stock has sold as high as 158 and on several occasions sold about 120. Its extreme high price was $300. The earnings for 1919 were a trifle over $6,000,000, while dividend requirements at the rate of 14% were $4,000,000. The company has accumulated a surplus of around $15,000,000, which is equal to 50% of its capital or $25 a share. This with a par value of $50 indicates a book value of at least $75 a share. The company has been most successful in the past, has paid excellent dividends, including frequent stock dividends, a 100% stock dividend in 1888, 52% in 1908, 33⅓% 1912 and 10% in cash extra in 1916. It is "the extras," regular dividends and further possibilities of future stock dividends or "extras" that make the stock so attractive as a long pull investment. The management is high grade, the future is reassuring. We expect Westinghouse Air Brake to be a regular dividend payer for a long time to come.

SOMETHING SOUND IN MEXICO

Mexico is sound at least in one important particular. It claims to be the only country in the world where the sole circulating currency is gold and silver.—*Engineering Mining Journal.*

NO INFLATION IN CRUDE OIL PRICES

(Continued from page 199)

at 40,000,000 barrels. Admiral Benson says that the American fleet has an advantage over foreign vessels at present because 75% of our tonnage is oil burning, while only 15% of the foreign fleets' vessels are equipped for oil fuel. He further says that the successful operation of the American merchant marine depends upon an assured supply of oil at reasonable prices.

Effect of Present Conditions

There may be some observers of business conditions who, while agreeing that the ultimate future of the oil industry is favorable, will contend that present general conditions are likely to affect oil like everything else and that lower prices are probable. Let us look at the present conditions within the industry.

In the last few months it is no secret that prices for refined products have shown a perceptible softening. Last August fuel oil was quoted at $3.50 a barrel while at present the price is close to $2 a barrel. Commercial gasoline is now selling around 18 to 19 cents a gallon at Mid-Continent refineries, which is several cents off from the high point of a few months ago.

This recession in prices has been due partly to reduced demand and in part to the freight rate situation. Many refiners in the Mid-Continent field have found it difficult to dispose of their products due to the advanced railroad freight rates, which have placed the refineries at the point of distribution in a more advantageous position to supply the market. As a result of the lowering of refined prices with no reduction in the prices for the raw material, most small refineries, especially in the Mid-Continent field, have had to curtail operations and some of them have been obliged to close down altogether.

While this situation may appear alarming to those not familiar with the industry it is not looked upon with serious concern by interests who have followed the conditions in the trade over a period of years. Last year gasoline was selling at lower levels at Oklahoma refineries than it is today. **After the armistice was signed it looked as though the bottom had fallen out of the fuel oil market but subsequently the price soared to new high levels.**

In regard to gasoline it must be considered that this is the season for accumulating stocks. The accompanying graphic chart will show that for the past three years gasoline stocks have reached their low point about the end of October and that the high mark for stocks on hand was reached in April. The big refineries are now beginning to fill up their tanks to meet next year's demand. Not only will they turn their own excess production into their storage tanks but will be large purchasers from small refiners who are unable to carry their surplus through the winter months. It might reasonably be assumed that the big refiners would be anxious to fill up their tanks at the lowest prices possible but they do not seem to be in a position to make their own prices for the reason that competition is keen. For instance, Standard Oil of California last year was a big buyer of Mid-Continent gasoline, whereas previously it had been able to supply all its demands from Pacific Coast production. This winter it is likely that the California Company will again be a big purchaser of Mid-Continent gasoline for the reason that stocks on the Pacific Coast are dangerously low. The Pacific Coast uses almost 25% of all the petroleum produced in the country, it being used for many purposes there not common to the rest of the country. In the last few years stocks of petroleum in California have declined from around 60,000,000 barrels to about 20,000,000 barrels. **At this point it might be mentioned that the country's total surplus of gasoline on hand at the close of September was only 288,000,000 gallons which was less than a month's supply.**

Curtailed Production Discouraged

With this situation prevailing it is not difficult to see why the country's big petroleum interests are opposed to any action which would discourage production. Should crude oil prices be materially reduced at this time new field operations would be discouraged to such an extent as to probably cause new high record prices next year in an attempt to coax forth production sufficient to meet the country's needs. In these days of tight money and deep drilling with its consequent high costs it would take little to discourage producing operations. In the Gulf Coast region of Texas the price of heavy crude has recently been reduced 50 cents a barrel, due to the very heavy production brought in there, which has been more than the pipe lines could handle, and also to the fact that this grade of oil has been quoted out of line with other higher grades. There may be other similar adjustments but a general reduction seems extremely unlikely.

The Question of Exhaustion

Just as there have been wild rumors regarding a break in oil prices, there have also been reports regarding the probable exhaustion of our oil supplies. For some time to come the producers of the United States, with the incentive of favorable prices, together with imports from Mexico, should be able to about supply necessary requirements. Eventually we will come to depend to an increasing extent on foreign fields, such as those of South America and Canada, although it is going to take vast sums of money and years of effort before these sources of supply come to play an important part in supplying the world's requirements.

Current Bond Offerings

Issue	Maturity.	Offering Price.	Approx. Yield To Maturity.
Government, State, Municipal.			
§Province of Ontario, Canada, 6s	Nov. 1927	95.54	7.00%
§City of Fort Worth, Texas, 5s	1929-1959	98.08-98.78	5.10-5.25
§City of Cincinnati, Ohio, 5s	July, 1965	To Yield	4.90
§City of Moose Jaw, Sask., 6s	Nov. 1930	86.41	8.00
§City of Los Angeles, Cal 5½s	1921-1960	To Yield	5.10-5.50
§Dade County, Fla., 6½s	1922-1950	To Yield	5.65-6.00
§City of Paterson, N. J., 5½s	1921-1959	To Yield	5.00-5.50
City of Syracuse, N. Y., 5s	1921-1940	To Yield	4.60-5.50
§City of Durham, N. C., 5½s	1923-1943	To Yield	5.15-5.75
City of Watertown, N. Y., 5s	1922-1945	To Yield	4.65-5.10
Public Utilities.			
‡United Light & Railways Co., 8s	Nov. 1930	97.	8.45
§United Railways Co. of St. Louis 7s	Oct. 1923	97.48	8.00
Industrials.			
‡H. J. Heinz Co., 7s	Dec. 1930	94.75	7.75
†Central Sugar Corp. 8s	Oct. 1930	96	8.50
Virginia-Carolina Chemical Co. 7½s	Nov. 1932	96.25	8.00

†Smallest denomination issued $100.
‡Smallest denomination issued $500.
§Smallest denomination issued $1,000.

Province of Ontario, Canada, 6s.—These coupon bonds are a direct obligation of the Province of Ontario and are a charge upon the consolidated revenue fund of the province. They are registerable as to principal and are a legal investment for Connecticut, New Hampshire and Vermont savings banks.

Ontario is the wealthiest and most populous province in the Dominion of Canada, the population being about 30%, and the value of the annual production being over 45% of that of the entire Dominion. More than half of Canada's entire manufactured products were produced in this province. In 1919 the value of the timber and mineral output of Ontario was $290,000,000 and the value of the agricultural products, $373,507,500. The assessed value of all taxable property within the province is in excess of two billion dollars.

The population of Ontario is 2,820,000. Its largest city, Toronto, has 550,000 and two other cities, Hamilton and Ottawa, have over 100,000. There are 135 other cities and towns in the province, nearly all of which are busy industrial centers.

City of Fort Worth, Texas, 5s.—This issue of gold coupon bonds is a direct and general obligation of the City of Fort Worth and is for waterworks, sewerage and other municipal purposes. The bonds are payable from an unlimited ad valorem tax upon all the taxable property in the city. They are legal investment for savings banks and trustees in New York and Connecticut, and are eligible to secure postal savings deposits.

Fort Worth, the fourth largest city of Texas, is located in the most prosperous section of the state. The city is an important commercial and distributing point, 15 railroads furnishing shipping facilities to all parts of the country. It is headquarters for the cattle and packing house business of the southwest and has numerous factories, grain elevators, large flour mills and several agricultural implement works. Yearly bank clearings amount to approximately $400,000,000 and bank deposits aggregate approximately $85,000,000.

City of Cincinnati, Ohio, 5s.—The purpose of this issue is to provide funds for the erection of a railroad bridge across the Ohio river to be used by the Cincinnati Southern Railway, which is municipally owned. The bonds, in the opinion of counsel, constitute a direct obligation of the city of Cincinnati. They are exempt from all Federal income taxes and are legal investment for savings banks and trust funds in New York, Connecticut and other states. There are $1,000 denominations of coupon or fully registered bonds.

The 1920 population of Cincinnati is 401,247, its assessed property valuation is $718,000,000, and its net debt, including this issue, is $38,359,187.

The Cincinnati Southern Railway, built and owned by the city of Cincinnati, extends from that city to Chattanooga, Tenn., a distance of 338 miles, and is operated under the terms of a lease expiring in 1966 by the Cincinnati, New Orleans & Texas Pacific Railway Co. The value of the Cincinnati Southern is estimated to be twice the value of the bonds issued by the city in its interest.

City of Moose Jaw, Saskatchewan, 6s.—The interest of these 10-year bonds is payable half-yearly. Principal and interest are payable in Toronto, Montreal, Moose Jaw or New York, at the holder's option, and in United States funds.

Moose Jaw is one of the oldest Western Canadian cities, located 400 miles west of Winnipeg, and is the chief divisional point of the Canadian Pacific Railway between Winnipeg and Calgary. The city is also served by several branch lines of the Canadian Pacific, the Grand Trunk and Canadian National Railways. The surrounding ter-

ritory includes some of the best wheat districts in Canada.

The city has a number of important industrial plants and has elevators of the Dominion Government with a capacity of 3,500,000 bushels. The value of Moose Jaw's manufactured products in the year 1918 was $18,186,485. The population of the city has grown from 16,934 in 1914 to 22,000 in 1919.

City of Los Angeles, Cal., 5½s.—These City School District bonds are exempt from all Federal income taxes. They are coupon bonds of $1,000 denomination, and the principal and semi-annual interest are payable at the County Treasurer's office in Los Angeles.

The Los Angeles School District comprises 619 square miles, and includes the entire city of Los Angeles, the area of which amounts to 363 square miles.

The assessed valuation of taxable property, 1920, of this district is non-operative, $677,032,720; and operative, $109,901,473, operative property being property owned by public utility companies, a percentage of whose income is paid to the state, and is, therefore, not taxed. The total bonded debt, including this issue, is $5,776,900. The population in 1920 is estimated at 600,000.

Dade County, Florida, 6½s.—These highway bonds, exempt from all Federal income taxes, are a general obligation of Dade County, payable from an unlimited tax upon all taxable property therein. They are registerable as to principal and interest, which is payable semi-annually in New York City.

Dade County, of which Miami, one of the largest cities of the state, is the county seat, is located on the east coast of Florida and has an area of 2,733 square miles. The county is highly developed in the growing of citrus fruit and garden truck. Miami, as a port of entry, enjoys an expanding trade with the North Atlantic ports, Bahamas and the West Indies.

The actual value of taxable property of the county is estimated at $102,000,000, while the net debt is only $1,465,888. The population, the rate of increase of which has been 366% in 10 years, is given as 42,731 in the 1920 census.

United Light & Railways Company 8s.—The proceeds of these notes will be used for the purpose of refunding an issue of 7% bond secured gold notes, due December 1, 1920, and for other corporate purposes of the company. The coupon notes, in three interchangeable denominations, are registerable as to principal only. The company will pay the normal Federal income tax not in excess of 2%, and will refund the state tax in Pennsylvania to the extent of the present rate of four mills. Notes are redeemable as a whole or in part up to and including November 1, 1921, at 107½ and accrued interest; thereafter at one-half of 1% less during each of the next 5 years; and thereafter at 1 point less each year until maturity.

The company operates 19 public utility properties (mainly electric and gas), which it owns or controls, supplying without competition of like service gas, electricity, street or interurban railway service in 55 prosperous manufacturing and agricultural communities, located in the heart of the Middle West, having a population estimated at 600,000.

Earnings available for interest charges on first and refunding mortgage 5% bonds and bond secured notes outstanding (including this issue), exceed 2.78 times the annual requirements.

United Railways Co. of St. Louis 7s.—These are Receiver's Certificates of Indebtedness, the proceeds of which will be applied toward the payment of $1,900,000 St. Louis Railroad Company First Mortgage 4½% bonds, due May 1, 1920, and to reimburse the receiver for funds used to retire $2,300,000 United Railways Company of St. Louis Receiver's One Year 6% Certificates of Indebtedness, paid September 2, 1920.

These Certificates are to have a first and prior lien on 277 miles of street railroad, of which 79 miles were formerly mortgaged by St. Louis Railroad Co., and Union Depot Railroad Co. They also have a lien, subject to $10,600,000 divisional bonds, all maturing before this issue, on the remaining property and franchises of United Railways Co. of St. Louis, including 184 additional miles of track.

The annual interest charges on the $10,600,000 divisional bonds and on these Certificates will be $808,430, an amount earned 3.71 times in the average of the 7 years ended Oct. 31, 1920, and 4.56 times in the year ended Oct. 31, 1920.

H. J. Heinz Company 7s.—With the exception of a real estate mortgage of $83,333.34, these gold notes constitute the only funded debt of the company of which they are a direct obligation. The proceeds of the sale of the notes will be applied to the payment of notes payable and to provide additional working capital. These notes will be issued under a trust indenture, which will provide, among other covenants, that so long as any of the notes are outstanding, the company will at all times maintain its cash and quick assets in a sum equal to at least 1½ times the aggregate amount of its liabilities and indebtedness, secured or unsecured, including the face amount of all of these notes at any time outstanding.

The books of the company show net earnings available for interest charges, before providing for Federal taxes, for the 4 years ended April 30, 1920, averaged $2,865,323, or more than 5 times the annual interest charge of these notes, which amounts to $560,000, and average net earnings, after providing for Federal taxes for the four years, amounting to $2,344,643. Sales of the company since May 1, 1920, show an increase of 22% over last year.

Central Sugar Corporation 8s.—These convertible gold coupon bonds, registerable as to principal, are redeemable in whole

or in part, at the option of the corporation, and are subject to call for the sinking fund, on any interest date prior to October 1, 1925, at 110 and accrued interest, or on October 1, 1925, or any interest date thereafter at 105 and accrued interest, on 30 days' notice; all notes so redeemed to be cancelled. They are convertible into common stock at the rate of $40 per share for the stock until and including October 1, 1925.

An annual sinking fund of 20% of net earnings (after deductions for maintenance, depreciation, interest, etc.), will be applied to retirement of these notes. The notes are a direct obligation of the corporation and after March 1, 1921, will constitute the only funded obligation outstanding in the hands of the public.

The corporation and its subsidiaries own, lease or control 34,867 acres of land. Upon installation of additional equipment now contracted for, the factory will have a capacity of 300,000 bags of sugar a season.

Virginia-Carolina Chemical Co. 7½s. The interest on these Sinking Fund Gold Debentures is to be payable without deduction for Federal income tax up to 2% per annum, and the Pennsylvania personal property tax of four mills is refunded. A sinking fund, payable semi-annually, will provide for the retirement of over 50% of the total issue before maturity.

No mortgage is to be created by the company or its subsidiaries without including these debentures equally and ratably therewith, except inter-company and purchase money mortgages and also except the extension of the existing First Mortgage, for not more than 3 years. The consolidated net quick assets are to be maintained at not less than 150% of the principal amount of all debentures outstanding excluding the company's existing First Mortgage bonds.

The Virginia-Carolina Co. is one of the largest manufacturers and dealers in its lines, being engaged directly or through subsidiaries, in the manufacture of fertilizers, sulphuric acid, cotton seed products and edible oil products and the mining of phosphate rock. The net earnings of the company and subsidiaries for 1920 (year ended May 31), are $10,876,745, being 5.72 times the requirement for total interest, including current interest.

OLD HICKORY PLANT TO BECOME HUGE MANUFACTURING CENTER

The Nashville Industrial Corporation, composed of business men of Nashville, Tenn., have purchased from the U. S. Government the Old Hickory Powder Plant at Jacksonville, Tenn., located 12 miles east of Nashville, on the navigable Cumberland River. The purpose of the Nashville people is to industrially develop this immense war undertaking into a large manufacturing center, having available immense housing and manufacturing buildings and facilities. The village had a population of 35,000 when the plant was closed in 1918, and is now completely equipped with all necessary public utilities, schools, banks, club houses, etc., and offers many attractive inducements to new industries or those desiring a change in their location.

This was the largest government manufacturing undertaking during the war, costing over $87,000,000. It occupies 5,100 acres of land, has a water filtration system capable of supplying a city the size of Boston, one of the largest steam power plants in the world, a double track railroad connecting manufacturing buildings, an immense refrigeration system, complete water works, sewerage system, fire departments, concrete and macadam roads. A great quantity of surplus material in the manufacturing area will be dismantled and sold.

INTERNATIONAL GENERAL ELECTRIC CO.

Regarding the article on the International G. E. Co. in issue of Nov. 27, it should be stated that the company has contract relations with the Canadian General Electric Company, Ltd., and the Franco Tosi Company, of Italy, but does not control either company; also that it has no working arrangement with the General Electric Company, Ltd., of England.

The two Japanese companies referred to are not owned by the International G. E. Co., but have contract relations with it. Belgian interests, together with the French Thomson Houston Company, have taken over the works of Carels Freres and are operating under the name of Societe d'Electricite et de Mecanique.

The International G. E. Co. has offices in London, Paris, Yokohama, Shanghai, Soerabaia, Bombay, Calcutta, San Juan, Porto Rico and San Jose, Costa Rica, as well as selling arrangements in other parts of the world, such as Scandinavia and the West Indies.

HOW MUCH IS THE MARK WORTH?

(Continued from page 153)

ing Mr. William Hohenzollern, of Doorn, Holland, to his golden throne at Potsdam.

I have yet to hear any one who, while breezily and confidently recommending an investment in German marks, or any securities like bonds, payable in "marks," could give definite reasons for his optimism, beyond the assurance that Germany will recover—which we all know must happen some day. The investor cannot invest or speculate on the possibility of miracles, and I do not contend that the miraculous cannot happen; but the intending investor in "marks," German exchange, currency, *or city and state bonds payable in marks,* should study his arithmetic, and then remember that he is paying a handsome premium for a speculation in the possibility of miracles happening in Germany.

(The writer will in a forthcoming issue point out the difference between investments in German exchange and bonds, and purchases of shares in industrial enterprises and banks. He will indicate the line of distinction between "money and commodities," with particular reference to the possibilities in German real estate, or other conversion from marks into tangible security.)

RENEWED BUSINESS ACTIVITY AT TURN OF YEAR

First National Bank of Boston Notes Better Labor Attitude

"While wage-earners are resisting reductions in pay, employers are finding the efficiency of labor improving tremendously, resulting in much lower labor costs. Conferences are taking place to determine future wage schedules and in increasing volume reductions are being accepted. It seems to be the consensus of opinion that the present business depression will not be of long duration, and that with substantial retail price reductions activity in business is likely to spring up after the first of the year."

JOSEPH F. GUFFEY DISCUSSES SOUTH AMERICA'S OIL SUPPLY

(*Continued from page* 149)

between the two ridges at the low figure of 4,000 barrels per acre there is added to the estimated oil supply fully 384,000,000 barrels, or a total of 1,024,000,000 barrels of oil.

"Besides these estimates we have the area to the east, that is underlaid by the oil-producing horizon, and may be productive from crevices or thin porous horizons. The area that may be considered oil territory is large, and the area that may be possible oil territory is tremendous. The quality of the oil will probably depend upon the depth from the surface, as it is only evaporation that has changed a very light oil into asphalt, the upper sand probably being 28 deg. Baume and the lower 36 deg. Baume."

Big Interests Working Together

Mr. Guffey and his associates have plans of operation in conjunction with the International Petroleum Co., a subsidiary of the Standard Oil Co., and the Trans-continental Oil Co. and the Arkansas Natural Gas Co., looking to the inauguration of an intensive campaign throughout certain sections of South America. Already they have secured large acreages of leases, based on geological reports, some of these leases having been recently acquired from the Latin American Oil Co., comprising about one hundred thousand acres of land believed to contain rich oil-bearing sands.

"Oil men do not fully appreciate," concluded Mr. Guffey, "the possibilities in oil production of the vast South American field. While the expense is heavy, necessarily involving much preliminary sanitation work, road building and other pioneering labor, yet it is worth it. Tests in the Colombia field show oil as high as 36 gravity Baume. I am convinced that the greatest production in the world will be found in the area now being developed and yet to be acquired."

INSURANCE QUESTIONS AND ANSWERS

(*Continued from page* 185)

P. H. C. all my life, nevertheless it will be in small payments which ought never to bother me. At present, I hold a position as assistant trust officer in one of the smaller local banks, but in a few years I hope to sail out in the practice of law and my conservative mind keeps saying to me not to incur too much steady indebtedness which might hamper me about that time, for the sailing is hard and the course is long. But I would rather lose what I have paid than put more into the P. H. C. and see it "go up" later.

My appreciation will be as genuine as is my pleasure in reading the MAGAZINE, and that, you may be sure, is real and to me very instructive.—A. A. G.

Answer.—The Protected Home Circle of Sharon, Pa., is one of the better order. It is true that they have assets of a million dollars and about 100 million dollars insurance in force. The premium of $1.65 amounts to $19.80 a year, which is a small premium for $2,000 insurance. It must be on the term insurance basis and will undoubtedly increase. If the insured lives for some time, this increase will undoubtedly become very heavy and burdensome. The statement of this order shows a very fair surplus only because it does not charge among liabilities a reserve to provide for the increasing cost of the insurance due to the increasing age of the membership and corresponding increase of mortality rate. All legal reserve companies are required to maintain such a reserve, which must be borne in mind in comparing this order's financial showing with that of a legal reserve company; were such a reserve charged, there would be no surplus but instead a large deficiency. I would not recommend this form of insurance.

The Standard Life Insurance Company of America, Pittsburgh, Pa., was incorporated in 1910 and has a reputable backing. Its actuarial methods are sound and it now values on the modified preliminary term plan (Illinois Standard). The expenses of this company are rather high and the cost of new business is heavy. The mortality rate since 1917 has been rather high.

COMPANIES WHOSE SECURITIES ARE ANALYZED IN THIS ISSUE.

Financial News and Comment

NOTE.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

Boston & Maine.—**Commerce Commission approved a loan of $6,656,479 to aid carrier in providing itself with** locomotive equipment and certain additions and betterments to existing equipment, and to its roadway and structures, at a total estimate of about $7,869,000. The company itself is required to finance about $1,212,000 to meet the loan of the Government.

Canadian Pacific.—**Company changed its equipment from oil to coal burning, due to acute fuel oil shortage.** General Agent Brodie states Standard of California and Union Oil of California could no longer supply road with its requirements of 70,000 barrels daily.

Chesapeake & Ohio.—**Company filed an application with the Commerce Commission for authority to issue four 15-year equipment trust certificates** to the amount of $4,500,000, bearing interest at the rate of 6½%. The carrier also asks for authority to issue improvement mortgage bonds to the amount of $2,699,000, which, with other securities, will be used as a guarantee for a government loan of $3,759,000.

Chicago, Burlington & Quincy.—**Attorney Robert J. Frank appeared on behalf of himself and other Burlington minority stockholders** in opposition to the company's financial plan before the Commerce Commission November 21. Discussing his opposition, he said:

"My position and contention is (1) that no corporate necessity can be shown to exist for the issuance of the bonds in question; (2) that the real purpose of the financing described in the company's application is to enable Great Northern and Northern Pacific to refund the so-called joint 4s, issued in 1901 to purchase the controlling stock of the Burlington, making it merely a promotion transaction and not in any sense an obligation for railroad purposes as required by section 439 of the Transportation Act; (3) that to permit this financing would be in effect to assist Great Northern and Northern Pacific to renew the illegal combination between the railroads, contrary to the provisions of the Transportation Act in that control of the Burlington by the two other roads eliminates competition on all traffic originating on or through the Burlington and destined to the territory served by these two parallel and competing roads; (4) that to permit the Burlington to be encumbered to the extent proposed, with the evident intention of turning over the bonds in question to the Great Northern and Northern Pacific through a dividend which undeniably will be declared by the complacent Burlington directors is in effect to enable the two controlling roads to perpetrate a wrong upon and injury to the minority stockholders and to imperil the credit of the Burlington, which is of far greater importance to the public as a common carrier than either or both of the other roads."

Denver & Rio Grande Western.—**This company has been incorporated at Denver for $50,000,000 representing 1,000,000 shares at a par value of $50** per share. The directors consist of practically the former Western Pacific bondholders' protective committee. The Rockefeller interests are represented by Starr J. Murphy. The Denver & Rio Grande Western Railroad Co., just incorporated under Colorado laws, will be the operating company, with the Denver & Rio Grande Western, incorporated under laws of Delaware a few weeks ago, as the holding corporation. These are steps in the general plan of Western Pacific bondholders to take over the Denver & Rio Grande Railroad.

Grand Trunk Western.—**Mandamus proceedings have been brought in the Supreme Court of the District of Columbia** to compel the Secretary of the Treasury to pay to the Grand Trunk Western Railway $500,000 due under the Governmental rental guaranty.

The proceeding is a test case to settle the law on Treasury obligations to the railroads and is designed to obtain payments on account of the $400,000,000 or more due the roads as a result of Federal operation.

Gulf, Mobile & Northern.—**Company was granted authority by the Commerce Commission to issue $4,000,000 first mortgage 6% gold bonds and** to pledge $816,000 for promissory notes to be given in renewal on certain outstanding bank loans; to pledge $1,030,000 with the Secretary of the Treasury as security for a loan of $515,000 from the U. S. Government; to pledge $960,000 as security for an indebtedness of $480,000 to the U. S. to be funded by the Director-General of Railroads and to hold $1,194,000 in its treasury to be pledged from time to time to secure short-term notes.

Long Island Railroad. — **Company will be paid at the rate of $3,258,000 annually for the 2C months of Federal control** for the use of its property by the Government. The board of referees appointed by the Interstate Commerce Commission has determined upon this figure.

Mason City & Fort Dodge.—**Interest due December 1 on $12,000,000 4% bonds of the Mason City & Fort Dodge** will be paid by the Chicago Great Western, lessee, with funds loaned by the Interstate Commerce Commission. Notice had previously been sent to the holders of bonds by the Chicago Great Western that the December interest would not be paid for the reason that the subsidiary line had not earned it.

Missouri Pacific.—**A report announcing the final payments on outstanding 6% refunding bonds** of the old Missouri Pacific Railroad would be paid December 21 has been filed in the United States District Court at St. Louis. The report is that of Omar E. Robinson, special master, and was made under the final decree in the road's receivership case.

These bonds fell due in 1916, their face value being $20,687,000, and their accrued value, with interest, at present being $27,448,536.

New York, New Haven & Hartford.—**About 5,000 employes, representing**

about 10% of the total, have been laid off. The men include mechanics employed in the shops at various points along the system together with roundhouse men, trainmen, and men in other departments.

Western Pacific.—Stockholders approved amendment to certificate of incorporation, increasing the authorized capital stock of the corporation from $75,-000,000, consisting of 275,000 shares of preferred stock and 475,000 shares of common stock, to $100,000,000, consisting of 400,000 shares of preferred stock and 600,000 shares of common stock. The additional shares of preferred stock are to be entitled to the same preferences and voting powers and to be convertible into common stock and to be subject to redemption and retirement on the same terms and conditions and to be of the same class and character otherwise as the preferred stock originally authorized.

Wheeling & Lake Erie.—Company has applied to the Commerce Commission for authority to participate in the National Railway Service Corp. equipment trust lease to the extent of leasing 2,000 gondola freight cars and 1,000 steel under-frame box cars to cost approximately $8,260,000; also to guarantee notes to be given by the service corporation to the Secretary of the Treasury for the acquisition of the equipment; also to issue its rent notes to the Bankers Trust Co. for the rental of the equipment in an amount not to exceed $13,629,000, together with authority to pledge with the Bankers Trust Co. as collateral security its refunding mortgage 5% bonds to the amount of $177,000 and to grant to the Bankers Trust Co. as further security on certain securities which will be pledged with the Secretary of the Treasury for a loan of $1,460,000.

INDUSTRIALS

Aetna Explosives Co.—Merger Agreement. It is reported that the Hercules Powder Co. has signed an agreement whereby it offers to holders of the common stock of the Aetna Explosives Co. $10.32 a share, payable in cash, and $4 in preferred stock of the Hercules Co. In other words, in addition to the cash payment, for every 25 shares of Aetna stock, one share of Hercules Preferred and $100 will be given. The offer is contingent upon the approval of more than 80% of the Aetna stockholders.

Air Reduction Co., Inc.—Net earnings, applicable to interest charges, for the seven months ended October 31, last, were $1,014,951, which amount is equivalent to over twelve times the interest requirements of the outstanding $2,000,000 7% debenture bonds of the company.

American Stores Co.—October sales totalled $7,655,614, compared with $6,-282,252 for the same month of 1919, the increase being 21.8%. For the 10 months of 1920 sales were $86,493,964, compared with $62,513,706 for the corresponding period of 1919, an increase of over 38%.

Booth Fisheries Co.—Dividend deferred. The directors have suspended payment of the quarterly dividend on the preferred stock for the quarter ended December 31, next.

Brown Shoe Co., Inc.—Annual report covering the year ended October 31, last, shows net profits, after charges and Federal taxes, of $363,151. Adding to this amount the reserve of $400,000 previously provided for price fluctuations, the surplus available for dividends was $762,151, equivalent, after allowing for preferred dividends, to $4.64 a share on the $8,400,000 common stock. In the previous year the company's net profits were $1,508,974, equivalent to $19.48 a share on the $6,300,000 outstanding common stock, after allowing for preferred dividends.

Chandler Motor Car Co.—Production. It is estimated that for the year 1920 the company will produce upward of 24,000 cars, as compared with 18,000 cars in 1919. On this basis, earnings will probably be in the neighborhood of $8,300,000, equivalent to about $29 per share on the capital stock, before taxes, or around $23 per share after taxes. Although the company's output is now running at the rate of only 800 cars per month, compared with 3,000 cars at the peak in mid-summer, the present production compares favorably with normal fall output of other years, except 1919, when an unusual demand for that season was experienced by practically all motor car manufacturers.

Chevrolet Motor Co.—Plant reopened. The company's plant at Tarrytown, New York, which had been practically shut down for more than a month, with only about 200 of its 2,000 employees at work, will reopen for the manufacture of 100 cars a day, beginning December 1. The normal output of the factory is between 200 and 300 cars a day.

Colorado Fuel & Iron Co.—For the quarter ended September 30, last, surplus, after interest, taxes, sinking fund, etc., was $691,685, equivalent, after preferred dividends, to $1.90 a share on the $34,235,500 common stock. This compares with a surplus of $1,-546,881, or $4.40 a share in the preceding quarter, and with $544,099, or $1.47 a share in the corresponding quarter of 1919.

Columbia Graphophone Mfg. Co.—For the nine months ended September 30, last, net income, after charges and Federal taxes, was $3,612,474, equivalent, after preferred dividends, to $2.54 a share on the 1,209,833 outstanding shares of common stock of no par value. The final profit and loss surplus on September 30, last, totalled $4,542,-621.

Consolidated Cigar Corp'n.—Financial statement covering the period from January 1 to September 25, 1920, shows net profits, after charges and Federal taxes, of $1,297,041. This is equivalent, after preferred dividends, to $10.50 per share on the 103,500 shares of outstanding common stock of no par value.

Continental Motors Corp'n.—Dividend cut. The company has cut its dividend from 2% to 1% quarterly. In a letter to the stockholders the company says that the financial statement now being prepared will disclose the fact that the fiscal year which closed October 31, last, was the best year in the company's history, both as to net profits and volume of business, but that the necessity for conserving the company's cash resources makes a reduction of the dividend desirable.

Fairbanks, Morse & Co.—Net sales for the nine months ended September 30, last, amounted to $26,308,685, an increase of $6,095,088, and net profits were $4,394,582, an increase of $1,083,-155. After depreciation, taxes, and preferred dividends, there was a balance available for the common stock of $2,815,330, as compared with a balance of $2,276,637 for the corresponding period of 1919.

Famous Players-Lasky Corp'n.—Net operating profits of $4,714,382 (not including the earnings of wholly or partially owned subsidiary companies), are reported by the corporation for the 9 months ended September 25, last, after deducting all expenses, including allowance for film exhaustion and reserves for contingencies. This compares with $3,427,950 for the first nine months of 1919, the increase being $1,286,431. After setting aside reserves for Federal taxes the company's net profits, after taxes for the nine months, were $3,417,512, which, after allowing for dividends on the $10,000,000 of preferred stock for the period, is at the annual rate of $17.86 on the 210,252 shares of common stock outstanding.

Fisher Body Corp'n.—For the quarter ended October 31, last, the corporation reports consolidated income, before taxes and contingencies, of $3,810,000, as compared with $1,534,000 in the corresponding quarter of 1919 and $3,390,000 in the previous quarter.

Freeport Texas Co.—Net income, after interest, depletion, depreciation, and taxes, for the nine months ended August 31, last, was $492,913, which is equal to 98 cents a share earned on the 500,000 outstanding shares of stock of no par value.

The company is now producing at the daily rate of more than 1,000 tons of sulphur from its Louisiana properties. The oil which the company uses in its plant is obtained mostly from its own wells in the Mexican Panuco field, where it has an output of approximately 3,000 barrels daily. The company is drilling several other wells in this district, one of which is expected to come in shortly.

General Asphalt Co.—New financing. At a special meeting of the stockholders held on December 7, it was voted to issue $4,000,000 8% ten-year sinking fund convertible bonds, to provide funds for additional working capital and to help defray the cost of replacing that part of the burned plant at Maurer, New Jersey, not covered by insurance. This reconstruction requires a capital expenditure of $2,800,000.

Both the common and preferred stocks of the General Asphalt Co. were admitted to trading on the New York Stock Exchange on December 1.

General Electric Co.—Subscriptions for recently authorized new stock, on the basis of 1 new share for each 5 shares standing in a stockholder's name on December 8, 1920, will be accepted only upon presentation of warrants, and the subscription price may be paid in full or in part on or before January 20, 1921. The subscription price is $100 a share and payments must be made in New York or Boston funds to the transfer agent under the following conditions: $25 per share on or before January 20, 1921; $25 per share on or before April 20, 1921; $25 per share on or before July 20, 1921; and $25 per share on or before October 20, 1921. Interest at the rate of 8% per annum will be paid upon installments from their respective installment dates to the installment date when payment is completed.

Hercules Powder Co.—Surplus, after charges and Federal taxes, for the nine months ended September 30, last, was $1,481,555, equivalent, after preferred dividends, to $20.72 a share earned on the $7,150,000 common stock. For the same period of 1919 the surplus, after preferred dividends, was $781,057, equivalent to $10.89 a share on the common stock.

Hood Rubber Co.—Capital Readjustment. The stockholders have voted to change the common stock from $100 par to shares of no par value. It is understood to be the intention of the company to declare a 100% stock dividend. Last spring the company paid a 66⅔% common stock dividend, thus increasing the issued common stock from $3,000,000 to $5,000,000.

Hupp Motor Car Corp'n. — Net profits, after taxes, for the quarter ended September 30, last, were $843,535, equivalent, after preferred dividends, to $1.59 a share, par $10, earned on the $5,192,100 common stock.

The consolidation balance sheet as of September 30, shows fixed assets, $3,773,625; cash, $497,074; accounts receivable, $1,764,638; inventories, $4,745,634; Government and other securities, $2,333,426; good will, trade name, etc., $3,858,921, and total assets of $17,079,921. Liabilities include accounts payable, $2,604,202; reserve for Federal taxes, etc., $1,962,933; other reserves, $795,626, and surplus, $4,700,956.

Lee Rubber & Tire Corp'n.—Sales for the 9 months ended September 30, last, totaled $6,204,586, compared with $4,492,188 for the same period last year. Net profits, before Federal taxes, for the nine months of 1920 were $640,634, compared with $460,511 for the corresponding period of 1919.

Loew's, Inc. — Business increasing. Despite the general reaction in business and industrial lines, the company's operating results are considerably in excess of all previous estimates and its net earnings are now running at the rate of over $3,000,000 per annum, after providing a reserve for all taxes. Official estimates place the net profits for the next fiscal year at over $4,000,000, since the company now has twenty-seven theatres under course of construction, which should be in operation during the coming year. This will bring the total of Loew's theatres in excess of one hundred. Paid admissions to the company's theatres in September were approximately 6,500,000, which represents an increase of 42% over the same month last year.

Midvale Steel & Ordnance Co.—Net profits for the quarter ended September 30, last, after charges and Federal taxes, amounted to $4,448,079, which is equivalent to $2.22 a share, $50 par value, on the $100,000,000 capital stock outstanding. This compares with a surplus of $4,349,498, or $2.15 a share in the preceding quarter, and with $3,408,359, or $1.70 a share, in the corresponding quarter of 1919.

For the nine months ended with September, surplus, after charges and Federal taxes, amounted to $10,314,574, equivalent to $5.15 a share on the stock. This compares with $7,104,823, or $3.55 a share, in the corresponding period of 1919.

Mullins Body Corp'n.—Nine months' statement for the period ended September 30, last, shows net profits, after Federal taxes, of $652,975, which is equivalent, after preferred dividends, to $5.93 a share on the 100,000 outstanding shares of stock of no par value. The company's income account for the nine months shows profit and loss surplus of $2,349,912.

National Conduit & Cable Co., Inc.—For the 9 months ended September 30, last, the company shows a deficit, after charges and taxes, of $289,323, which compares with a deficit of $859,-

188 in the corresponding period of 1919. Net sales for the period amounted to $11,116,889, compared with $7,077,046 last year, and operating profit was $139,670, against an operating loss of $506,638.

National Motor Car & Vehicle Corp'n. —Capital increased. A special meeting of the stockholders has been called for December 8, for the purpose of authorizing an increase in the number of shares of stock from 80,000 to 150,000, of which 140,000 shares will be common stock, without par value, and 10,000 shares preferred stock, with a par value of $100 each. The preferred stock will be 8% cumulative.

Otis Steel Co.—The company's income account for the quarter ended September 30, last, showed net earnings, before Federal taxes, of $1,334,667, compared with $1,324,558 for the June quarter, and a balance, after interest, depreciation, and miscellaneous charges, of $1,059,279, against $1,026,768.

After deducting the estimated Federal taxes from the balance shown for the nine months ended with September, the net earnings for the period were $2,591,668, which is equivalent to over 5½ times the dividend requirements for the period on the amount of preferred stock outstanding.

Owens Bottle Co.—Financial statement covering the nine months ended September 30, last, shows surplus, after charges and taxes, of $3,989,360, which is equivalent, after deduction of preferred dividends, to $7.97 a share on the outstanding $10,932,626 common stock, $25 par. This compares with a surplus of $2,422,788, or $4.95 a share, in the corresponding period of 1919.

Pacific Development Corp'n.—Capital readjustment. At a special meeting, held on December 8, the stockholders approved the proposal to change the authorized capital stock from 500,000 shares of $50 par value, to 500,000 shares of no par value, the old stock to be exchangeable for the new, share for share.

If the action recommended by the directors is approved, it is planned to offer stockholders at $25 a share, one share of additional no par value stock for each four shares issued and subscribed for.

Reo Motor Car Co.—Balance sheet as of August 31, last, shows profit and loss surplus of $9,747,310, compared with $6,390,334 on the same date of 1919. Total assets amount to $22,175,689, and current assets aggregated $15,263,727, while current liabilities are given as $5,491,121. Net working capital amounts to $9,772,598, as compared with $8,661,928 in the preceding year.

Republic Rubber Corp'n.—Operations Resumed. The corporation is reported to have resumed operations in its pneumatic tire department, producing at the rate of about one-third of that maintained when the department suspended operations on June 30 last. Orders on hand are said to be sufficient to insure production for from 30 to 40 days, after which operations will again be suspended, unless new business, which develops in the meantime warrants continuance.

Savage Arms Corp'n.—For the three months ended September 30, last, the company reports a deficit, after charges, taxes, and preferred dividends, of $136,889, which compares with net earnings of $125,304, or $1.61 a share on the $7,958,000 common stock in the preceding quarter, and with $168,704, or $2.12 a share in the corresponding quarter of 1919. Profit and loss surplus on September 30, last, amounted to $2,054,066, against $2,307,176 on June 30, 1920.

The corporation has passed the dividends on its second preferred and common stocks. It had been paying dividends of 1½% quarterly on the second preferred since August, 1917, and on the common, also 1½% quarterly, since the same date. In October, 1919, and in January, 1920, extra dividends of 5% each were declared on the common stock.

Steel & Tube Co. of America. Net income for the 10 months ended October 31, last, after interest and Federal taxes, was $8,356,192, equal to $47.75 a share on the $17,500,000 preferred stock.

Virginia-Carolina Chemical Co.—New financing. The company has sold to a New York banking syndicate $12,500,000 12-year 7½% sinking fund gold debentures. This is the first financing by the company since 1914, when it sold an issue of 6% debentures, which were subsequently converted to a large extent into preferred stock. The large increase in the company's business during the last five years has made it desirable to increase net working capital. In 1915 the company did a gross business of $62,218,078. In 1920 the estimated total will reach $139,000,000, representing an increase of approximately 100% over the 1915 total.

Virginia Iron, Coal & Coke Co.—Quarterly statement. For the quarter ended September 30, last, the company reports net earnings, after charges and taxes, of $1,073,701, as compared with $790,253 in the preceding quarter. For the nine months ended with September, net earnings were $2,428,918, equivalent to $26.76 on the $9,073,600 outstanding capital stock.

Vivaudou Company.—Dividend cut. In order to meet the continuing expansion of the company's foreign and domestic trade and the requirements of its Paris factory, and to avail itself of the opportunity afforded by the favorable rate of exchange and low prices of raw material, the directors have reduced the quarterly dividend from 50c to 25c a share, believing it advisable to employ for the time being a greater part of its surplus earnings for corporate purposes, rather than to distribute them in the form of dividends.

Earnings for the three months ended October 31, last, amounted to $288,450, or at the rate of nearly $4 a share per annum, before taxes.

Wickwire Spencer Steel Corp'n.—Surplus, after charges and Federal taxes, for the quarter ended September 30, last, was $573,375, as compared with $852,178 in the previous quarter. For the nine months ended September 30, the surplus was $1,728,110, which is equivalent, after allowing for dividend requirements on the preferred and class "A" common stock, to $4.15 a share on the 250,000 outstanding common stock of no par value.

Willys Corp'n.—Scrip dividends. The directors have decided to pay the dividends due December 1 on the 1st preferred stock in the form of negotiable one year scrip, the same to be callable at par and payable to stockholders of record November 29, 1920. This action was deemed advisable, owing to the acute stringency in the money market, the necessity of carrying inventories, and in order to conserve cash assets and credit resources.

Net profits from operations for the

eight months ended August 31, last, before taxes and dividends, were $3,604,599. This compares with net profits of $4,141,255, for the full year 1919.

MINING

Chino Copper Co.—Total revenues for the quarter ended September 30, last, were $108,783, compared with $330,152 for the preceding quarter, and with $809,727 for the first quarter of the year. After dividends there was a deficit in the third quarter of $217,460, against a surplus of $3,910 in the second quarter, and one of $483,485 in the first three months of the year.

For the 9 months ended with September, total profits were $1,248,662, equivalent to $1.43 a share on the capital stock. This compares with $899,388, or $1.03 in the same period of 1919.

Eureka-Croesus Mining Co.—Capital increased. At the recent annual meeting of the stockholders additional stock to the amount of $1,500,000 was authorized for the purpose of financing extensive metallurgical works to treat the ores at the mines. The consulting engineer's report showed 686 feet of ore breasts in the present accessible part of the workings, averaging about $18.22 per ton. It was stated that none of the high grade ore was included in the samples in making up the average value of the ores.

The balance sheet as of October 31 last shows cash and bills receivable, $21,188; bills payable, $112,588; and total assets and liabilities of $1,863,004.

Greene-Cananea Copper Co.—The shutdown of the company's mines on December 15, throwing between 2,500 and 3,000 men out of work, is the result, according to officials of the company, of demands made by labor which the company has decided cannot be met without a heavy loss, high taxes imposed by the Mexican Government, and the present dullness of the copper market.

Hecla Mining Co.—Suit settled. The suit of the Federal Mining & Smelting Co. against the Hecla Mining Co. for $6,000,000 has been settled. The agreement provides for payment by the Hecla Co. of $450,000 for title to the Russel and Mono Traction claim, and a release of all claims for trespass. The management states that an effort will now be made to settle such claims as the Marsh Mines Consolidated may have against the company.

Rand Mines, Ltd.—Annual report, covering the year ended December 31, 1919, shows that dividends received by the company on investments during the year totalled £531,792, in comparison with £458,589 for the previous year. Net profits, after expenses, were £1,034,245, compared with £529,422 for 1918. The report states that the outlook for 1920 is more encouraging than that for any previous year.

PUBLIC UTILITIES

Chicago Elevated Railways Collateral Trust.—Annual report for the year ended December 31, 1919, shows gross income of $227,907, and a deficit, after interest, expenses, etc., of $1,122,622. The company had a profit and loss deficit on December 31, 1919, of $1,114,872.

Commonwealth Power, Railway & Light Co.—October gross was $2,702,796, an increase of $412,988 over October, 1919, and net, after taxes, was $862,809, a decrease of $50,304. The balance after preferred dividends was $27,874, compared with $129,113 last year.

For the 10 months ended with October, gross earnings were $25,535,042, an increase of $4,605,424 over the corresponding period of 1919, and net after taxes was $8,576,345, a decrease of $10,284. After payment of preferred dividends there was a balance for the period of $369,920, a decrease of $509,6?0.

Consolidated Gas. Co.—New note issue. It is said that arrangements have been completed for the sale by New York brokers of $25,000,000 short-term notes. The purpose of the issue, it is understood, is to liquidate bank loans made in connection with additions to plants and extensions being made by the company and its subsidiaries. These extensions include a $5,500,000 power house being erected by the New York Edison Co., a subsidiary, and a $4,500,000 addition to the plant of the Astoria Light, Heat & Power Co., now nearing completion.

Republic Railway & Light Co.—October gross earnings of the company and its subsidiaries amounted to $737,761, an increase of $233,315 over October, last year. Net after taxes was $124,544, an increase of $18,675, and surplus after all charges was $18,348, an increase of $6,165.

For the 12 months ended with October, gross earnings were $8,018,965, an increase of $2,026,387 over the preceding 12 months, and net after taxes was $1,739,985, an increase of $315,653. Surplus after all charges was $484,524, an increase of $148,749.

Third Avenue Railway Co.—October gross was $1,151,994, an increase of $121,879 over October, last year, but the net result was a deficit of $42,881, after allowing full interest on Adjustment Income 5% bonds. This compares with a deficit of $41,354 for October, 1919.

Gross revenues for the four months ended with October amounted to $4,580,303, an increase of $495,220 over the total for the corresponding period of 1919, while the deficit, after allowing full interest on Adjustment Income 5% bonds, was $203,307, as compared with $134,197 last year.

United Light & Railways Co.—Gross earnings from all sources in the 12 months ended September 30, last, amounted to $11,645,579, an increase of $1,799,167 over the preceding 12 months, and net earnings, after maintenance, general expenses and taxes, totalled $3,251,968, an increase of $353,315. After preferred dividends, there was a surplus of $811,141, as compared with a surplus of $510,248 for the preceding 12 months.

Utah Securities Corp'n. — October gross was $748,717, an increase of $108,013 over October, last year, and net earnings were $355,196, an increase of $37,450.

For the 12 months ended with October gross earnings were $8,271,446, an increase of $1,095,930 over the preceding 12 months, and net earnings were $3,927,394, an increase of $224,436.

Virginia Railway & Power Co.—October gross was $990,504, an increase of $179,196 over October, last year, and surplus after all charges was $74,833, an increase of $4,480. For the four months ended with September gross earnings were $3,744,929, an increase of $640,423 over the corresponding period of 1919, and surplus, after charges, was $216,026, a decrease of $133,251.

OILS

Cosden & Co.—October net earnings, before Federal taxes, were $1,210,000, compared with $1,325,000 for the previous month. For the 10 months ended October 31, last, net earnings, before Federal taxes, amounted to $12,627,587.

An official of the company states that the entire gasoline output has been sold to the Standard Oil Co. of Indiana, up to March, 1921. The company is experiencing no difficulty in obtaining crude oil and its refineries are running at capacity.

Gilliland Oil Co.—Net earnings of the company in the ten months ended August 31, last, after deducting preferred dividends and allowing for depreciation and depletion, were a little more than $1,930,000. This is equal to $4.36 a share on the 444,406 shares of common stock outstanding on that date.

Indiahoma Refining Co.—Net earnings, after charges and taxes, for the three months ended September 30, last, were $651,817, equal to about 65 cents a share, par $5, earned on the $5,000,000 capital stock, which compares with $487,218, or 48 cents a share, earned in the preceding quarter. The company's surplus at the close of the September quarter amounted to $501,817, against $337,390 at the end of the June quarter.

Invincible Oil Corp'n.—Current earnings. Following a recent meeting of the directors, President E. R. Ratcliff stated that the company's earnings in the 10 months to October 31, last, approximate $6,650,000, and estimated that about $8,000,000 would be earned in the full year, or $21 a share on the 376,000 shares of stock of no par value.

Settled production, he stated, is averaging 7,500 barrels of crude oil daily, for which the company is getting an average price of $3.37 a barrel. The company's refineries are running at 100% capacity, or 10,000 barrels daily.

Oklahoma Producing & Refining Co. —Net earnings for the six months ended September 30, last, were $2,668,493, equal to 59c a share on the $21,541,000 common stock outstanding (par $5). Gross earnings were $7,140,275, while net costs and operating expenses were $3,807,368. Deductions for taxes and depreciation amounted to $664,414.

Pure Oil Co.—Net income, after charges and Federal taxes, for the 3
(*Continued on page* 217)

FINANCIAL SITUATION IMPROVING IN GREAT BRITAIN
(*Continued from page* 154)

Optimists Have the Best of It

Taking a fairly broad view of the situation, it would seem as if the optimists were right, and that Great Britain is recovering rapidly from the injuries wrought by the war. At the present time she is handicapped by the onerous burden of taxes, heavier in this country, perhaps, than anywhere else in the world, and also by the scarcity of capital, which she looks to America to remedy to some extent. Stimulated by the settlement of the coal strike, sterling exchange should tend to move upward, though still subject to seasonal and other temporary fluctuations. In view of the fundamental strength of the country, well-secured investments in its industries appear attractive.

months ended October 1, 1920, was $4,470,304. Gross earnings were $20,172,675, net earnings, $5,420,317, and surplus after dividends, $2,437,260, not including dividends paid in common stock amounting to $921,975. On October 1, last, the company had a total profit and loss surplus of $57,680,683, with total assets and liabilities of $137,939,152.

Skelly Oil Co.—Gross earnings of the company for October amounted to $701,571. This is a new high record for any month in the company's history, and compares with $645,822 for September.

Standard Oil Co. of New Jersey.—Capital readjustment. The directors have voted to submit to the stockholders a plan to change the par value of the common stock from $100 a share to $25 a share, and to increase the common capital by $10,000,000, making the total $110,000,000. There will be no change in the $200,000,000 preferred stock.

The proposed reduction of the par value of the common stock is for the purpose of making effective a plan to enable employees, with the assistance of the company, to acquire an investment interest therein. The plan includes all employees who have been for one year actively engaged in the conduct of the company's business.

THE "COLLAPSE" OF AMERICAN INTERNATIONAL

(*Continued from page* 176)

cause their book value represented $60 per share of Am. International stock, but chiefly because in 1919 they contributed $4,174,000, or $8.34 per share in interest and dividends. This was over 88% of the total income available for Am. International stock.

It is true that the market value of all these holdings has shrunk considerably of late, but their cost to American International was understood to have been far below the high levels of the past two years. It seems reasonable to suppose that these investments are now worth at least $20,000,000, or $40 per share. This would about equal the present price of the issue, and would still leave the assets invested in the proprietary companies, amounting last year to $27,000,000. That these should have been entirely destroyed is incredible, especially in view of the direct denial entered by President Stone, who declared that "statements that American International had made large losses in South America or anywhere else are untrue."

Conclusion

After making allowances for the most unfavorable possibilities, it is hard to believe that American International is not worth more than 42. The chief result of this inquiry has been to indicate that the corporation's foreign business has been apparently of insufficient size to swallow up the larger portion of its capital, even at worst. If this is true, then the domestic investments should assure a minimum asset value and minimum income large enough to justify the purchase of the stock at or below present levels.—vol. 25, p. 621.

The MAGAZINE of WALL STREET

Issued fortnightly at 42 Broadway, New York City

for a Nation of Intelligent Investors

December 11, 1920

DEAR SUBSCRIBERS AND FRIENDS:

Because of the present unsettled conditions, we are very anxious to give our subscribers assistance, not only on their investments, but such information as will be of business aid to them in the readjustment through which we are passing.

By close cooperation with our subscribers, we believe we can help them to save and make a great deal of money.

Starting in this issue is a new series of articles recommending switches from non dividend paying securities, with what we consider poor prospects into others that we feel will make the first and biggest advance in the next "bull" market. This series will help you turn losses into profits.

During the past year, you have undoubtedly noticed a decided improvement in this publication in the character of articles, and in the research and analytical work which they represent.

We are in a position, therefore, to meet the great demands which our subscribers will put upon us, as this coming year will mark the beginning of a very important investment period. We realize that subscribers derive great benefit from the privilege of making FREE INQUIRIES and we are especially anxious to reinstate this feature.

In order to supply such a magazine and service at but $7.50 a year, the support of a large number of subscribers is necessary to cover the expense involved. We are going through a readjustment period the same as all other business and we want the cooperation of our readers.

The Suggestion:—There is undoubtedly among your friends a young man or woman who would be helped by our "Building Your Future Income" and other departments, or a business associate who would appreciate the work we are doing and be benefited by it. Why not make him or her a Christmas present of a year's subscription? It will certainly do them a lot more good than cigars or other trifles such as we are accustomed to give.

Will you not in this way help your friend and help us at the same time? We will, of course, notify the recipient that he is receiving the magazine as a Christmas present from you and it will remind him of your thoughtfulness twenty-six times a year.

Always at your service,

THE MAGAZINE OF WALL STREET

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
$4	Ajax Rubber ($50)	.$1 Q	11-30	12-15
6%	Am Beet Sugar, p.	1½%Q	12-11	12-31
$10	Am Bosch M (no p)	.$2.50 Q	12-15	1- 2
7%	Amer Linseed, p..	1¾%Q	12-15	1- 3
3%	Amer Linseed, c..	¾%Q	12- 1	12-15
7%	Am Sugar Refin, p	1¾%Q	12- 1	1- 3
7%	Am Sugar Refin, c	1¾%Q	12- 1	1- 3
6%	Amer Tobacco, p..	1½%Q	12-10	1- 3
8%	Ark Nat G, c ($10)	2 %Q	12-10	12-30
....	Ark Nat Gas, c ext	1 %	12-10	12-30
20%	Atlantic Refining, c	5 %Q	11-22	12-15
7%	Baldwin Loco, p..	3½%S	12- 4	1- 1
7%	Baldwin Loco, c..	3½%S	12- 4	1- 1
$6	California Pack, c.	$1.50 Q	11-30	12-15
10%	Canadian Pac, c...	2½%Q	12- 1	12-31
7%	Case Thresh M, p..	1¾%Q	12-13	1- 1
....	Case T M, c (st d)..	c42.9%	11-29	12-15
7%	Central Leather, p.	1¾%Q	12-10	1- 3
$10	Chand M (no p)..	$2.50 Q	12-20	1- 3
4%	Chesapeake & Ohio.	2 %S	12- 3	12-31
7%	Chesebrough Mfg, p.	1¾%Q	12-14	12-30
14%	Chesebrough Mfg, c.	3½%Q	12-14	12-30
8%	Continental Oil....	2 %Q	11-24	12-15
7%	Crucible Steel, p..	1¾%Q	12-15	12-30
7%	Cuban Am Su, p...	1¾%Q	12-10	1- 3
$4	Cuban A S, c ($10)	.$1 Q	12-10	1- 3
9%	Del & Hudson.....	2¼%Q	11-27	12-20
....	duP, deN & Co, c.	tb2 %	11-30	12-15
....	duP, deN & Co, c s d.	e2½%	11-30	12-15
7%	Endicott-Johnson, p.	1¾%Q	12-11	1- 1
$5	End-John, c ($50)	.$1.25 Q	12-11	1- 1
8%	Fam Pl-Lasky, c...	2 %Q	12-15	1- 3
7%	Federal Min & S, p	1¾%Q	11-25	12-15
8%	Galena S O, orig p.	2 %Q	11-30	12-31
8%	Galena S O, new p	2 %Q	11-30	12-31
6%	General Chemical, p	1½%Q	12-17	1- 3
4%	Hocking Valley Ry.	2 %S	12-10	12-31
4%	Ill Cent Leased Li.	2 %S	12-11	1- 2
$1.20	Imp O Cor, c ($10)	.10c M	11-30	12-15
....	Imp O, Ltd, ext.	pt$1.50	12-15	12-18
7%	Indian Ref, p.....	1¾%Q	12- 8	12-15
20%	Indian Ref, c ($10)	5 %Q	12- 8	12-15
$1	Kennecott C (no p)	.25c Q	12- 6	12-31
....	Kenn C, c ext...	xz25c	12- 6	12-31
6%	Kresge (S.S.), c...	3 %S	12-15	1- 1
6%	Lackawanna St, c..	1½%Q	12-10	12-31
5%	Laclede Gas Lt, p..	2½%S	12- 1	12-15
$1.20	Middle St O ($10)	.30c Q	12-10	1- 1
....	Middle St O ext...	10c	12-10	1- 1
7%	Montana Power, p.	1¾%Q	12-14	1- 2
3%	Montana Power, c.	¾%Q	12-14	1- 2
7%	Nat'l Anil & Ch, p.	1¾%Q	12-13	1- 1
6%	National Lead, c..	1½%Q	12-10	12-31
10%	Nat Sugar Ref, c..	2½%Q	12- 9	1- 3
$1	Nat Tr ($12.50)...	50c S	11-30	12-15
....	Nat Transit, ext...	75c	11-30	12-15
10%	N Y Air Brake....	2½%Q	12- 2	12-24
5%	North Amer Co....	1¼%Q	12-15	1- 3
$5	Ohio Oil	$1.25 Q	11-27	12-31
....	Ohio Oil, ext.....	$4.75	11-27	12-31
40c	Okla P & R, c ($5)	10c Q	12-15	1- 1
$3	P'less T & M ($50)	.75c Q	12- 1	1- 1
7%	Penn Wt & Pwr..	1¾%Q	12-17	1- 1
....	Phil E 8% p ($25)	a45c	11-19	12-15
$1.75	Phil El, c ($25)..	e43¾c Q	11-19	12-15
8%	Pierce Arrow M, p.	2 %Q	12-15	1- 1
8%	Pierce Oil, p......	2 %Q	12-20	1- 1
7%	Ry Steel Spr, p....	1¾%Q	12- 4	12-20
8%	Ry Steel Spr, c....	2 %Q	12-18	12-31
7%	Remington Ty, 1st p	1¾%Q	12-10	1- 2
7%	Rem Typ, 1st p "S"	1¾%Q	12-10	1- 2
8%	Rem Typ, 2d p....	2 %Q	12-10	1- 2
7%	Republic I & S, p.	1¾%Q	12-15	1- 2
7%	Sears, Roebuck, p.	1¾%Q	12-15	1- 1
20%	South Penn Oil...	5 %Q	12-11	12-31
6%	Southern Pacific...	1½%Q	11-30	1- 3
5%	Southern Ry, p....	2½%S	11-30	12-30
$4	St G & El, p ($50)	.$1 Q	11-30	12-15
12%	St Oil of Kans....	3 %Q	11-30	12-15
....	St Oil of Kan, ext.	3 %	11-30	12-15
12%	St Oil of Ken.....	3 %Q	12-15	1- 3
20%	St Oil of Neb.....	10 %S	11-20	12-20
7%	St Oil of N J, p...	1¾%Q	11-26	12-15
20%	St Oil of N J, c...	5 %Q	11-26	12-15
12%	St Oil of Ohio, c..	3 %Q	11-26	1- 1
....	St Oil of O, c ext.	$1	11-26	1- 6
$2	Superior O (no p)	.50c Q	12- 7	12-20
8%	Swift & Co.........	2 %Q	12-10	1- 1
$3	Texas Co ($25)....	75c Q	11-30	12-15
16%	Tidewater Oil......	4 %Q	12-11	12-31
$8	Todd Ship (no p)..	$2 Q	12- 1	12-20
7%	Twin C Rap Tr, p.	1¾%Q	12-14	1- 3
....	Twin C Rap Tr, c.	3 %Q	12-14	1- 3
10%	Union Pacific, c...	2½%Q	12- 1	1- 3
8%	U S Indust Alch, c.	2 %Q	11-30	12-15
$4	White Motor ($50)	.$1 Q	12-15	12-31
7%	Woolw'th (F W), p.	1¾%Q	12-10	1- 2
7%	Worth P & M, p A.	1¾%Q	12-20	1- 3
6%	Worth P & M, p B.	1½%Q	12-20	1- 3

a Initial dividend.
d Payable in scrip.
e Payable in common stock.
pt Payable in Canadian Government bonds.
xz Capital distribution.
†C Plus 2½% in stock; rate not reduced.

DIVIDENDS

American Woolen Co.

(Massachusetts Corporation)

QUARTERLY DIVIDENDS

Notice is hereby given that the regular quarterly dividends of One Dollar and Seventy-Five Cents ($1.75) per share on the Preferred Stock and One Dollar and Seventy-Five Cents ($1.75) per share on the Common Stock of this Company will be paid on Jan. 15, 1921, to stockholders of record Dec. 15, 1920.

Transfer books will not be closed.

WILLIAM H. DWELLY, Treasurer.

Boston, Mass., Nov. 30, 1920.

Dividend Notice

Packard Motor Car Company

Preferred Stock

The regular quarterly dividend of one and three-quarters per cent (1¾%) on the preferred capital stock of the Company has been declared by the Board of Directors, payable December 15, 1920, to the holders of the preferred stock of record at the close of business November 30, 1920. The books will not be closed.

FREDERICK R. ROBINSON,
Secretary.

Detroit, Michigan, December 1, 1920.

Computing-Tabulating-Recording Company

50 Broad Street, New York, N. Y.

The Board of Directors of this company has today declared a regular quarterly dividend of $1 per share, payable January 10th, 1921, to stockholders of record at the close of business on December 24th, 1920. Transfer books will not be closed.

J. S. OGSBURY, Treasurer.

November 30, 1920.

CITIES SERVICE COMPANY

Bankers Shares

Monthly Distribution No. 22

Henry L. Doherty & Company announce that the twenty-second monthly distribution of Cities Service Company Bankers Shares payable January 1, 1921, to holders of Bankers Shares of record December 15th, 1920, will be 39 cents per Bankers share.

ARKANSAS NATURAL GAS COMPANY

223 FOURTH AVENUE

PITTSBURGH, PA., NOVEMBER 29, 1920

DIVIDEND—The Board of Directors of this Company has this day declared a quarterly dividend of two per cent (2%) and an extra dividend of one per cent (1%) on its Common Capital Stock, payable December 31, 1920, to the Stockholders of record at the close of business December 10, 1920.

The Stock Transfer Books will not be closed. Checks will be mailed. W. J. DIEHL, Secretary.

CLASSIFIED NOTICES

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